

# ***VERMONT***



## ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

***For the fiscal year ending JUNE 30, 2011***

*STATE OF VERMONT*

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

*For the fiscal year ending JUNE 30, 2011*



*Peter Shumlin*  
Governor

*Prepared by the Department of Finance and Management*

**STATE OF VERMONT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**State of Vermont**

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*Agency of Administration*

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## LETTER OF TRANSMITTAL

To the Honorable Peter Shumlin, Governor,  
The Honorable Phil Scott, Lieutenant Governor,  
Chairs of House Committees on Appropriations, Institutions and Ways and Means,  
Senate Committees on Appropriations, Finance and Institutions, and  
The Citizens of the State of Vermont:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2011. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2011, the Department has met the State statutorily required issuance date. The Department prepared these financial statements and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Because the cost of internal controls should not outweigh their benefits, Vermont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe that the accompanying financial statements are accurate and fairly stated in all material respects, and presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditors' Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The BFS were prepared in conformity with GAAP as prescribed by the GASB. The BFS contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, an Other Supplementary Information section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Other Supplementary Information section contains combining fund financial



statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the MD&A, RSI and Statistical sections is unaudited.

This CAFR includes the funds and entities for which the State is accountable based on GASB's criteria for defining the financial reporting entity. The criteria include fiscal dependence, financial accountability and legal standing. Please refer to Note 1, for more information regarding the reporting entity and the component units.

## **State Profile**

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and, as of July 1, 2010, had an estimated population of 625,960. The State capital is Montpelier, and the largest city is Burlington. As of calendar year 2010, 91.0% of Vermonters aged 25 or older are at least high school graduates while 33.6% have at least a college bachelor's degree .

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration; Transportation; Natural Resources; Commerce and Community Development; Agriculture, Food and Markets; and Human Services, as well as other departments – through which the functions of the State government are carried out. The Judicial branch of the state is made up of a Supreme and Superior Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

## **Budget Adoption and Legal Compliance/Budgetary Results**

The Required Supplementary Information section includes Budget to Actual comparison schedules for the General Fund and the five major special revenue funds. The State's budgeting process is described in the Notes to the Budget to Actual comparison schedules. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

## **The General Fund**

The General Fund accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2011, General Fund tax revenues accounted for 97.2% of total General Fund revenues. The three principal tax revenue contributors – the personal income tax, the General Fund's portion of the sales and use tax, and the meals and room tax – accounted for 78.1% of General Fund total tax revenues or approximately 75.9% of total General Fund revenues. General Fund expenditures used 63.3% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, and Commerce and Community Development. The majority of the remainder of the resources provided from the 2011 General Fund revenues

were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

## **Economic Condition**

The consensus revenue forecast for fiscal year 2011 was revised twice during the fiscal year as the economic and revenue environment began to stabilize. During fiscal year 2011, the Vermont economy began to recover and both the July, 2010 and the January, 2011 consensus revenue forecasts included modest forecast upgrades for fiscal year 2011, and actual year end revenue collections in the General Fund slightly exceeded those upwardly revised consensus forecast targets.

The consensus economic forecast for the Vermont economy is that it will continue its recovery during the rest of calendar year 2011 and into calendar year 2012. As the U.S. economic recovery is expected to begin to pick up momentum and begin to become more broad-based over the next 12 to 18 months, so too will the pace and character of the Vermont economic recovery. The State's unemployment rate is expected to remain well below both the U.S. and New England regional averages. The most recent consensus economic forecast has the State job growth to continue to improve into 2012 and 2013, although at an unsteady pace.

## **Long-term Financial Planning**

As part of the State's long term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee who is required to present to the Governor and General Assembly, no later than September 30 of each year, a recommendation as to the maximum amount of net tax-supported debt that the State may prudently issue for the ensuing fiscal year and which complies with the State's triple-A debt rating guidelines. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized. The current recommendation contains two recommendations for maximum debt, one for fiscal year 2012 alone and one for fiscal years 2012 and 2013 taken as a unit. This report may be viewed on the State Treasurer's website under Debt Management – Capital Debt Affordability Advisory Committee.

In the 2011 legislative session, the Capital Act contained \$92.1 million in appropriations for capital construction and capital grants, with \$90.67 million funded with general obligation bonds, and the remaining amount funded through transfers and reallocations from prior capital appropriations. Please see Note 8 for additional information of the State's bonded debt.

With the destruction caused by Tropical Storm Irene in August, 2011, the State opted to postpone issuing bonds and is reviewing appropriations for construction and will propose changes when the legislature reconvenes in January, 2012.

## **Independent Audit of These Financial Statements**

KPMG LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2011, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The audit described in the auditors' report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.



## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the third year that Vermont has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Reardon". The signature is fluid and cursive, with the first name "James" being the most prominent.

James B. Reardon, CPA  
Commissioner

December 23, 2011

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Vermont

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

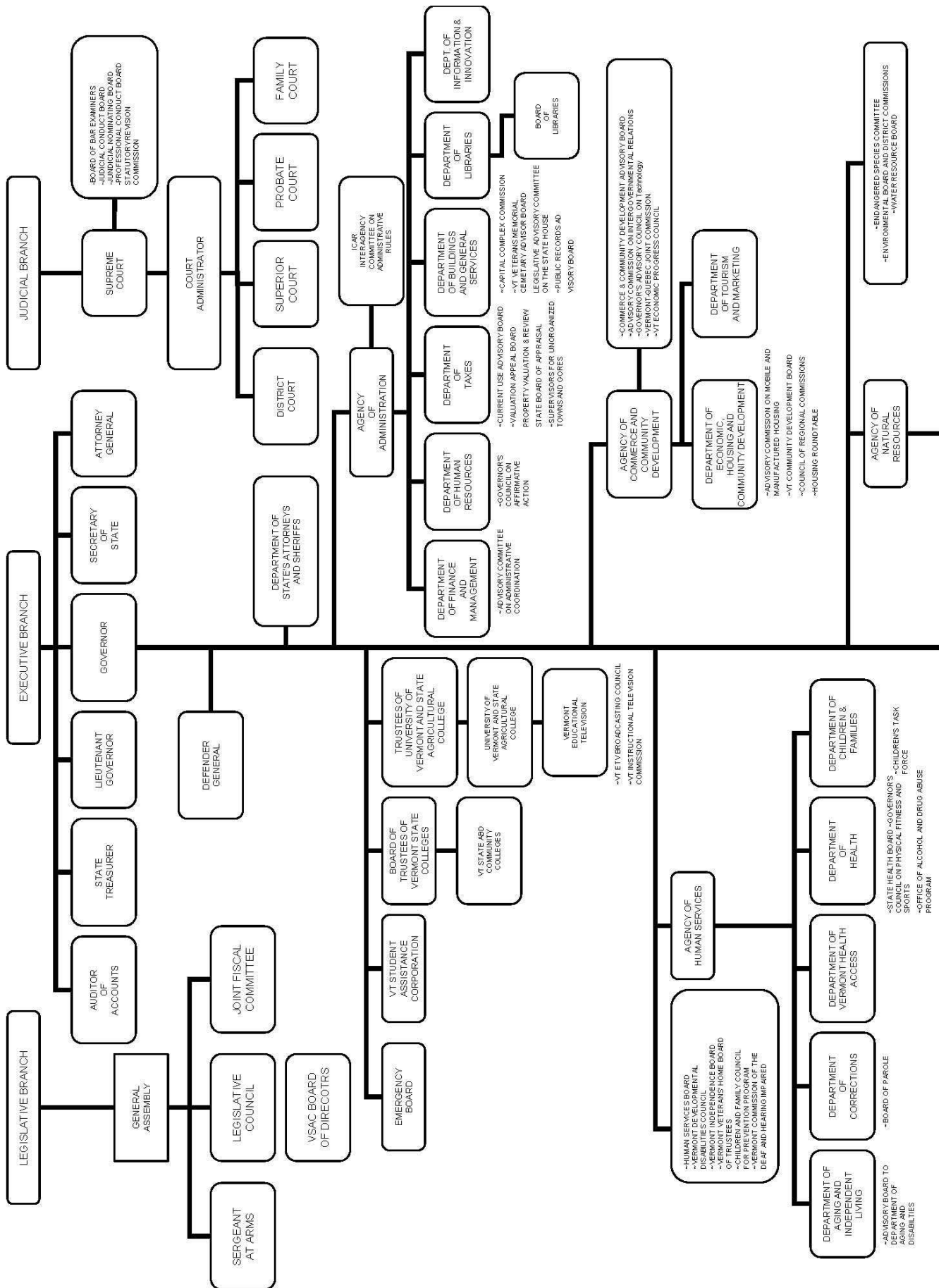


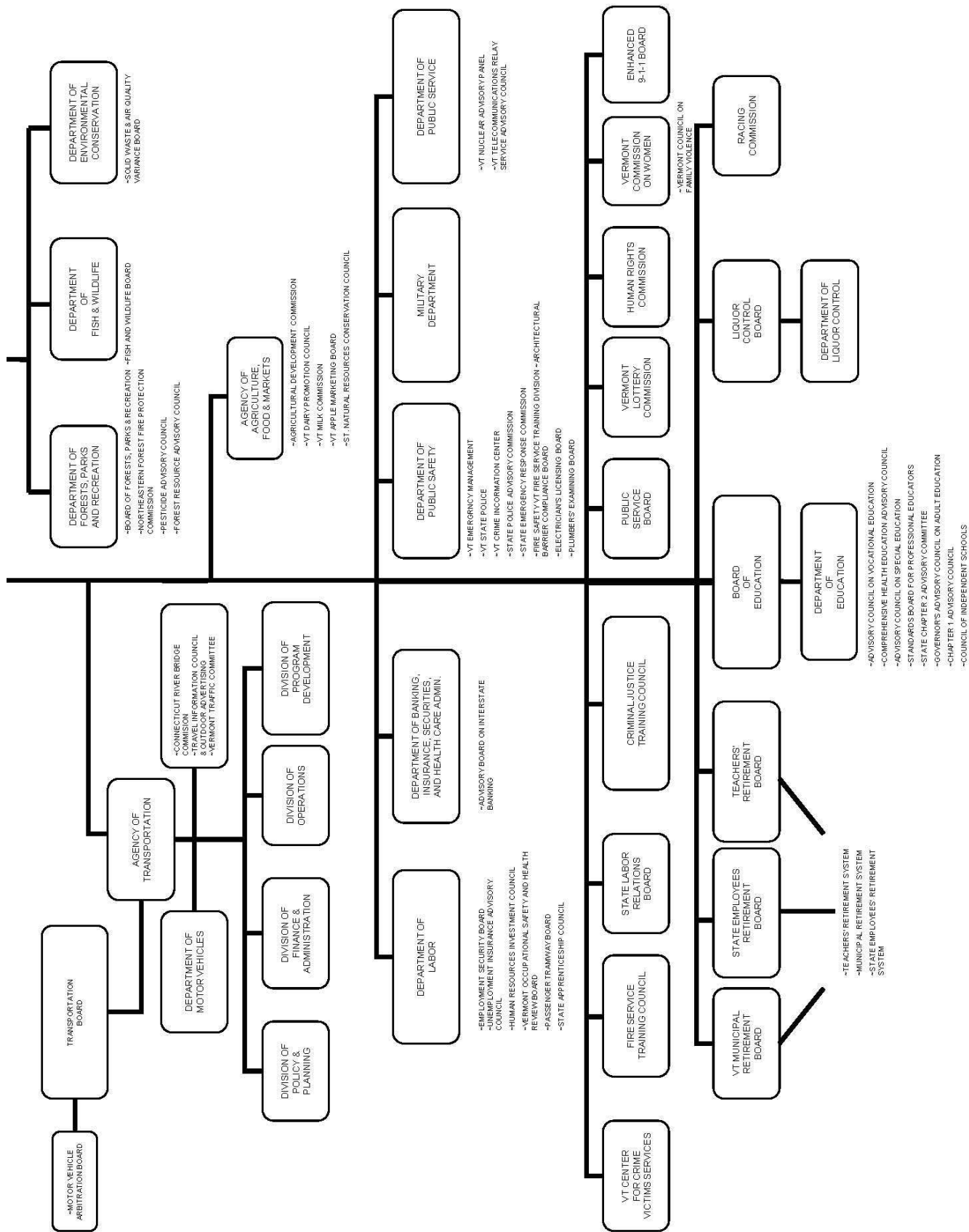
*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director





**SELECTED STATE OFFICIALS**  
**As of June 30, 2011**

**EXECUTIVE**

*Peter Shumlin*  
*Governor*

*Phil Scott*  
*Lieutenant Governor*

*James C. Condos*  
*Secretary of State*

*William H. Sorrell*  
*Attorney General*

*Thomas M. Salmon*  
*Auditor of Accounts*

*Elizabeth Pearce*  
*State Treasurer*

**JUDICIAL**

*Paul L. Reiber*  
*Chief Justice*

**LEGISLATIVE**

*John F. Campbell*  
*President Pro Tempore of the State Senate*  
*(30 Senators)*

*Shap Smith*  
*Speaker of the House of Representatives*  
*(150 Representatives)*



## ***FINANCIAL SECTION***



KPMG LLP  
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## Independent Auditors' Report

The Speaker of the House of Representatives,  
President Pro-Tempore of the Senate  
And the Governor of the State of Vermont:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain discretely presented component units identified in note 1A. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., or the Tri-State Lotto Commission. The discretely presented component units identified in note 1A represent 75% of the total assets and 40% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and total revenues of the Vermont Lottery Commission Fund and 7% of the total assets and 29% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 70% of the total assets and 6% of the total revenues of the Federal Revenue Fund. The Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund and the Vermont Information Technology Leaders, Inc., represent 15% of the total assets and 11% of the total revenues of the Special Fund and collectively represent 9% of the total assets and 2% of the total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., and the Tri-State Lotto Commission are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall



The Speaker of the House of Representatives,  
President Pro-Tempore of the Senate  
And the Governor of the State of Vermont  
Page 2 of 2

financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 1 to the financial statements, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The Management's Discussion and Analysis and Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introduction and statistical sections and the other supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 23, 2011



## INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2011. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2011. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

## FINANCIAL HIGHLIGHTS

### Government-wide

- Vermont reported net assets of \$1.588 billion, comprised of \$3.237 billion in total assets offset by \$1.649 billion in total liabilities at June 30, 2011 (Table 1).
- The primary government's net assets have increased by \$263.7 million as a result of this year's operations. The net assets for governmental activities increased \$274.2 million and net assets for business activities decreased by \$10.5 million (Table 2).

### Fund level

- Beginning in FY 2011, the State implemented GASB Statement 54, which provides new fund balance classifications for governmental funds. The previous reserved and unreserved classifications have been replaced with nonspendable, restricted, and unrestricted (committed, assigned, and unassigned) balances. Additional information on the State's fund balances can be found in Note 1 in the notes to the basic financial statements.
- The State's governmental funds reported a combined ending fund balance of \$869.1 million, an increase of 31.0 percent over last year. Of this amount, \$391.0 million is available for spending at the State's discretion (committed, assigned, and unassigned fund balance).
- The State's General Fund reported an operating surplus this year of \$74.1 million which increased the accumulated fund balance to \$214.4 million, of which \$2.2 million is nonspendable and \$60.2 million is committed for specific purposes.

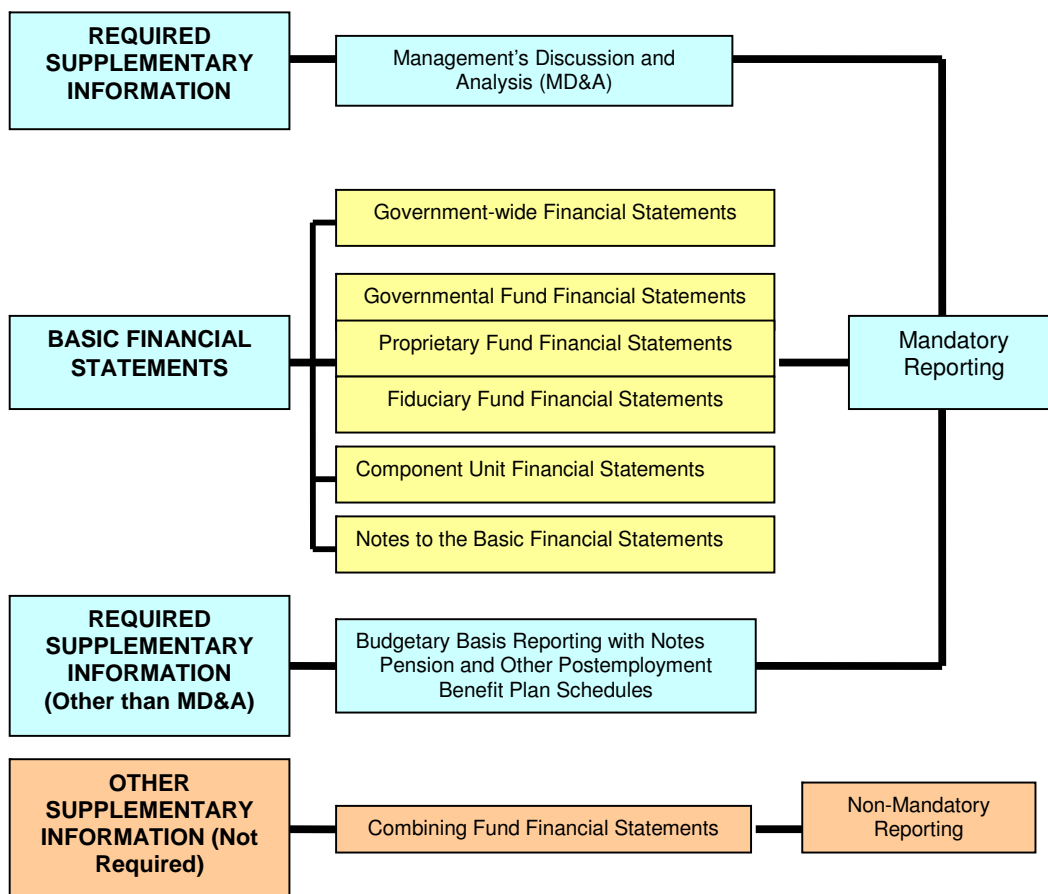
### Long-term debt

- The State's debt outstanding for General and Special Obligation Bonds increased \$36.8 million as compared to fiscal year 2010.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements and supplementary information. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout and relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.



### Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

#### 1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the State's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of

capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents a snapshot of both the primary government's and its component units' assets and liabilities, as of the date of this report, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

### Primary Government Activities

*Governmental Activities* – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

*Business-Type Activities* – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control, and the State Lottery Commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

### Component Units' Activities

*Discretely Presented Component Units* – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could receive a financial burden due to the activities of the entity. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and ten non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

*Blended Component Units* – The State has one blended component unit, *Vermont Information Technology Leaders, Inc. (VITL)*, which provides services almost exclusively to the State. The financial position of VITL has

been blended within the Statement of Net Assets and Statement of Activities in the governmental activities column and in the special funds.

## 2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, investment trusts, private purpose trusts and agency funds) with combining schedules or statements for the individual pension, other postemployment benefit, and agency funds presented in the Other Supplementary Information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. Following is a brief overview of these three major categories of funds.

### Governmental Funds

Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports twenty governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, two debt service funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

**Proprietary Funds**

This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets*; a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other six enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because the activities in these funds primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-two internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

**Fiduciary Funds**

The fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); an Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (ten agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets*; and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds financial statements are reported in the Other Supplementary Information section of this report.

**3) Discretely Presented Component Units' Financial Statements**

As mentioned previously, the State has included the net assets and activities of four major component units in individual columns and ten non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major

component units' financial statements can be found in Other Supplementary Information section of this report.

#### *4) Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

#### **Required Supplementary Information Other Than MD&A**

The basic financial statements are followed by a section of required supplementary information.

This section includes:

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress and the Schedule of Employer Contributions for the other postemployment benefit plans.

Schedules for the General Fund and major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

#### **Other Supplementary Information**

##### *Combining Financial Statements*

The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

Non-major governmental funds

Non-major proprietary (enterprise) funds

Internal service funds

Fiduciary funds (including individual pension and other postemployment benefit trust funds, and agency funds)

Non-major component units

#### **Statistical Section**

A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net Assets**

The State's (governmental and business-type activities) combined net assets total \$1.588 billion at the end of 2011, as shown in Table 1. Approximately \$1.609 billion of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This investment in capital assets, net of related debt, represents resources used to provide services to citizens, and therefore is not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other

sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (30.9 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of \$511.6 million.

The governmental activities' negative unrestricted net assets balance is mainly the result of three actions: 1) long-term debt issued by the State for municipal, non-profit or component unit capital purposes, \$213.3 million outstanding at June 30, 2011, that does not result in a governmental activities' capital asset, 2) the amount of net assets that are restricted for various purposes, and 3) the net Pension and OPEB liabilities (See Note 5).

The business type-activities' negative unrestricted net asset balance is the result of an \$11.2 million deficit in the Unemployment Compensation Trust Fund. Changes were made to the unemployment compensation insurance program effective January 1, 2010, to retire this deficit (See Note 15).

At the end of fiscal year 2011, the State reported positive total net asset balances in its governmental activities and discretely presented component units, and a negative net asset balance in its business-type activities.

The following primary government condensed financial statement information is derived from the State's June 30, 2011 and 2010 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

**TABLE 1**  
**State of Vermont's Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>ASSETS</b>						
Current assets	\$ 916.4	\$ 729.0	\$ 82.0	\$ 49.0	\$ 998.4	\$ 778.0
Other assets	396.7	371.1	4.2	4.8	400.9	375.9
Capital assets	1,837.1	1,655.1	0.9	0.9	1,838.0	1,656.0
<b>Total assets</b>	<b>3,150.2</b>	<b>2,755.2</b>	<b>87.1</b>	<b>54.7</b>	<b>3,237.3</b>	<b>2,809.9</b>
<b>LIABILITIES</b>						
Long-term liabilities	1,143.7	1,012.5	79.5	34.6	1,223.2	1,047.1
Other liabilities	412.5	422.9	13.2	15.2	425.7	438.1
<b>Total liabilities</b>	<b>1,556.2</b>	<b>1,435.4</b>	<b>92.7</b>	<b>49.8</b>	<b>1,648.9</b>	<b>1,485.2</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,607.9	1,456.9	0.9	0.9	1,608.8	1,457.8
Restricted	491.2	117.3	-	1.0	491.2	118.3
Unrestricted (deficit)	(505.1)	(254.4)	(6.5)	3.0	(511.6)	(251.4)
<b>Total net assets</b>	<b>\$ 1,594.0</b>	<b>\$ 1,319.8</b>	<b>\$ (5.6)</b>	<b>\$ 4.9</b>	<b>\$ 1,588.4</b>	<b>\$ 1,324.7</b>

In 2011, governmental activities' revenues exceeded expenses by \$252.2 million and received transfers of \$22.0 million from business activities, resulting in a 20.8 percent increase in net assets. Business-type activities had an overall decrease in net assets of 214.3 percent, resulting from an operating profit of \$11.5 million and by transfers out of \$22.0 million to governmental activities, primarily from the Lottery (\$21.4 million) to support education.

The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2011 and 2010, and contains primary government data only.

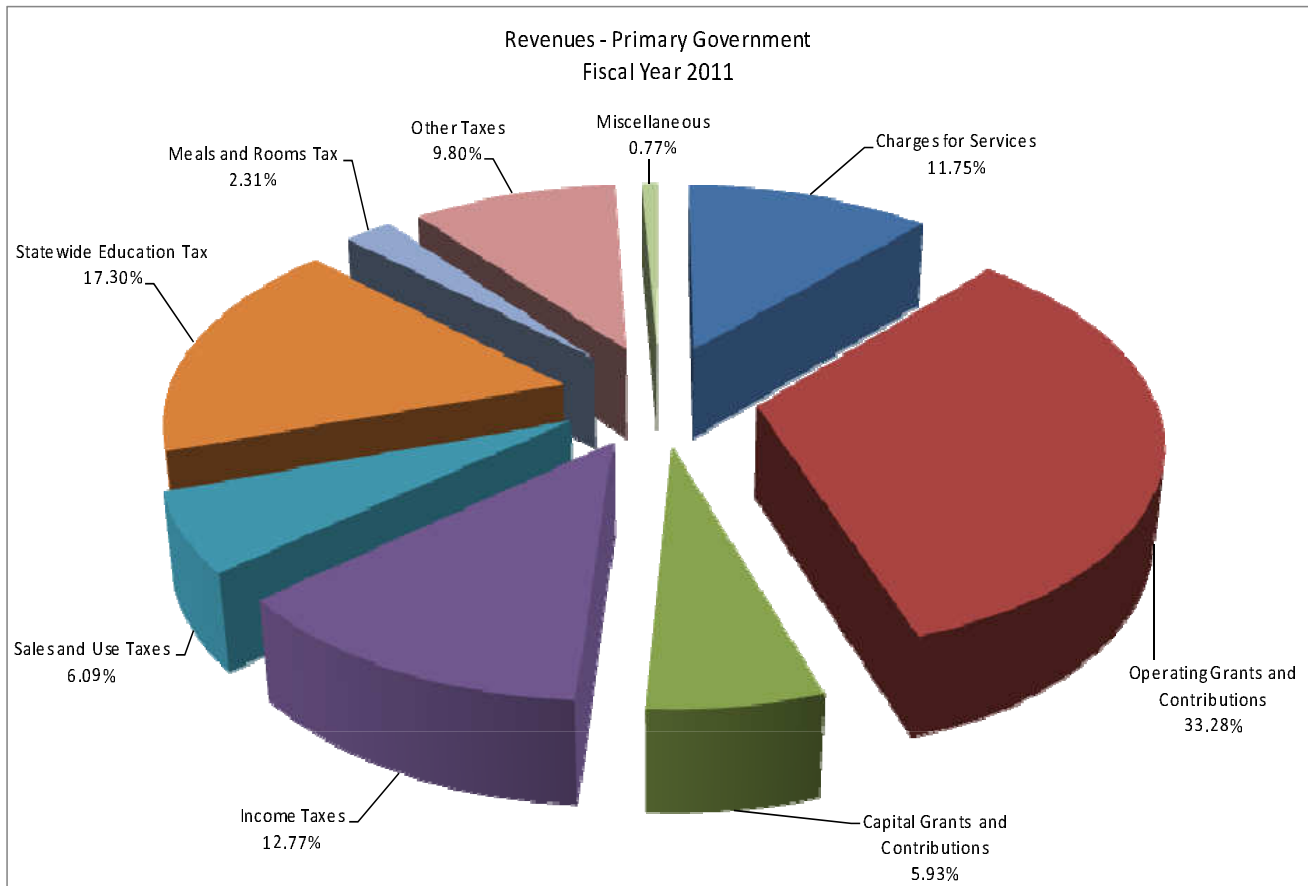
**TABLE 2**  
**State of Vermont's Changes in Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues						
Charges for services	357.0	327.9	266.5	234.0	623.5	561.9
Operating grants and contributions	1,703.9	1,669.6	62.5	128.6	1,766.4	1,798.2
Capital grants and contributions	314.6	232.2	-	-	314.6	232.2
General revenues						
Income taxes	677.9	563.2	-	-	677.9	563.2
Sales and use taxes	323.4	316.8	-	-	323.4	316.8
Statewide education tax						
Gross tax assessed	1,065.4	1,047.6	-	-	1,065.4	1,047.6
Income sensitivity adjustment	(147.5)	(137.9)	-	-	(147.5)	(137.9)
Meals and rooms tax	122.6	118.9	-	-	122.6	118.9
Other taxes	520.0	467.7	-	-	520.0	467.7
Miscellaneous	40.9	43.0	-	1.3	40.9	44.3
<b>Total revenues</b>	<b>4,978.2</b>	<b>4,649.0</b>	<b>329.0</b>	<b>363.9</b>	<b>5,307.2</b>	<b>5,012.9</b>
<b>Expenses</b>						
General government	161.2	169.3	-	-	161.2	169.3
Protection to persons and property	326.0	266.8	-	-	326.0	266.8
Human services	1,969.3	1,861.5	-	-	1,969.3	1,861.5
Labor	32.2	35.8	-	-	32.2	35.8
General education	1,670.5	1,688.3	-	-	1,670.5	1,688.3
Natural resources	106.9	73.0	-	-	106.9	73.0
Commerce and community development	48.2	71.8	-	-	48.2	71.8
Transportation	390.8	324.7	-	-	390.8	324.7
Public service enterprises	-	2.7	-	-	-	2.7
Interest on long-term debt	20.9	18.6	-	-	20.9	18.6
Unemployment compensation	-	-	190.7	293.7	190.7	293.7
Lottery commission	-	-	74.1	75.9	74.1	75.9
Liquor control	-	-	47.9	47.1	47.9	47.1
Other business type expenses	-	-	4.8	1.9	4.8	1.9
<b>Total expenses</b>	<b>4,726.0</b>	<b>4,512.5</b>	<b>317.5</b>	<b>418.6</b>	<b>5,043.5</b>	<b>4,931.1</b>
Increase (decrease) in net assets before transfers	252.2	136.5	11.5	(54.7)	263.7	81.8
Transfers net in (out)	22.0	23.4	(22.0)	(23.4)	-	-
<b>Change in net assets</b>	<b>274.2</b>	<b>159.9</b>	<b>(10.5)</b>	<b>(78.1)</b>	<b>263.7</b>	<b>81.8</b>
Net assets, beginning of year, as restated	1,319.8	1,159.9	4.9	83.0	1,324.7	1,242.9
<b>Net assets, end of year</b>	<b>\$ 1,594.0</b>	<b>\$ 1,319.8</b>	<b>\$ (5.6)</b>	<b>\$ 4.9</b>	<b>\$ 1,588.4</b>	<b>\$ 1,324.7</b>

Totals may not add due to rounding.



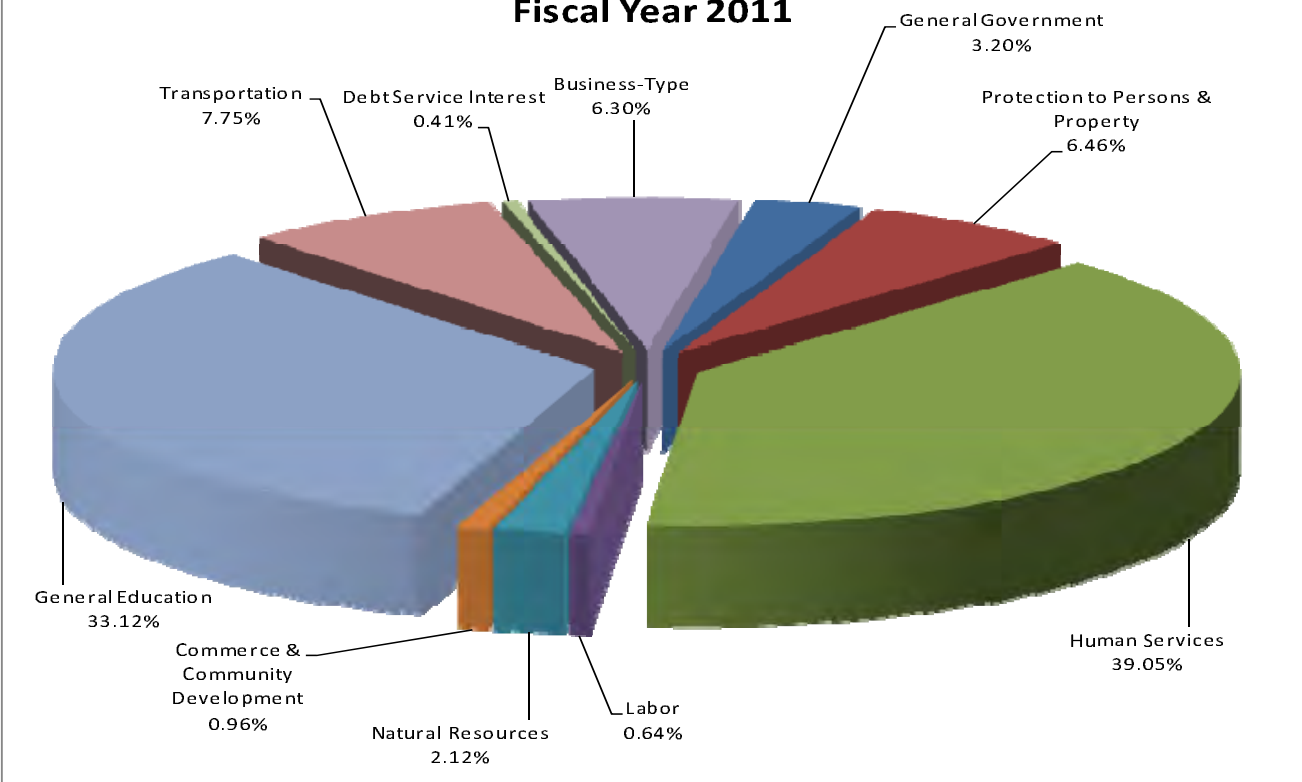
The following graph illustrates the revenues of Vermont's primary government for fiscal year 2011. Approximately 39.21 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 30.07 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2011. The largest category of expense is for human services (39.05 percent of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (33.12 percent of total expenses) which provides for Vermont's support to secondary and higher education.

### Expenses - Primary Government Fiscal Year 2011



Percentages may not equal 100%, due to rounding.

## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unrestricted (unassigned, assigned, and committed) fund balances* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2011, the unrestricted fund balance is 44.99 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the State's Permanent Funds, and other items that are nonspendable, such as advances and prepaid items and long-term liabilities. At the end of fiscal year 2011, the State's governmental funds reported combined fund balances of \$869.1 million, an increase of \$205.6 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2011, the General Fund's total fund balance was \$214.4 million and the unassigned portion of this fund balance was \$146.6 million. Its remaining fund balance was made up of nonspendable amounts totaling \$2.2 million, and committed and assigned amounts totaling \$65.6 million. During 2011, total revenues and other financing sources exceeded total expenditures and other financing uses by \$74.1 million.

The Special Fund's total fund balance at the end of fiscal year 2011 was \$85.1 million, a decrease of 16.9 percent in comparison with 2010. The Special Fund's total fund balance is comprised of \$5.2 million as restricted and \$79.9 million as committed or assigned. Special Fund revenues increased \$46.3 million and expenditures decreased \$1.0 million compared to 2010 resulting in an increase in "excess of revenues over expenditures" of \$47.4 million from last fiscal year. Fiscal year 2011 transfers out to other funds exceeded transfers in from other funds by \$237.8 million. The Special Fund transferred \$258.5 million to the Global Commitment Fund for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Agency of Human Services (which are included in the Global Commitment Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2011 were \$902.6 billion, a 45.7 percent decrease over fiscal year 2010's federal grant revenues. The majority of this decrease is for federal grants for the payment of the Federal share of Medicaid expenditures under the Global Commitment to Health Medicaid waiver. That amount is now reported as revenue in the Global Commitment Fund. The Federal Revenue Fund's total fund balance at the end of fiscal year 2011 (\$321.4 million) was an increase of \$19.1 million as compared to the total fund balance at the end of fiscal year 2010.

The fiscal year 2011 ending total fund balance for the Global Commitment Fund was \$108.0 million. Revenues and net transfers in of \$1,100.9 million exceeded expenditures of \$994.9 million by \$106.0 million.

The Education Fund at June 30, 2011, had a total fund balance of \$48.7 million, which represents a \$2.3 million increase over fiscal year 2010's ending balance. Prior to fiscal year 2008, the State appropriated property tax relief payments directly to taxpayers based on taxpayer income levels and property taxes (income sensitivity). Beginning with fiscal year 2009, the State changed the methodology it used to implement income sensitivity as applied to property taxes. Now the State determines the amount each taxpayer is to receive based on their personal income tax return submissions and notifies each municipality of the amount each taxpayer is to have applied against their gross property tax bill. The municipality then applies this amount against the homeowner's gross property tax. The State pays the sensitivity amount to the municipality directly. The Education Fund's reserve for budget stabilization increased \$0.4 million to \$30.3 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was \$20.3 million at June 30, 2011, an increase of \$1.2 million from the fiscal year 2010 ending total fund balance. This increase was primarily the result of revenue exceeding expenditures by \$9.7 million offset by transfers to other funds of \$8.5 million. The Transportation Fund's reservation for budget stabilization increased from \$10.3 million to \$10.4 million, the maximum allowed by statute.

See Note 1, Section E for more information regarding these funds.

### **Proprietary Funds**

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net asset balance declined from \$1.0 million at June 30, 2010 to a negative \$11.2 million at June 30, 2011, a decline of \$12.2 million in one year. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2011 were \$9.4 million, a \$9.1 million increase from June 30, 2010. This increase is primarily due to operating income totaling \$8.4 million, net non-operating revenues of \$0.5 million and net transfers in from other funds of \$0.2 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

**Fiduciary Funds**

The State's fiduciary funds account for resources held for the benefit of parties outside State government. The *pension and other postemployment benefit trust funds'* net assets increased by 17.36 percent to \$3.47 billion at June 30, 2011. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2011 is \$9.2 million, and total liabilities balance is \$7.9 million, including the escheat property claims liability estimated at \$7.88 million, resulting in ending net assets of \$1.3 million. The Investment Trust Fund's total net assets at June 30, 2011, were \$122.9 million. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

**GENERAL FUND BUDGET HIGHLIGHTS**

The State ended fiscal year 2011 with General Fund revenues of \$1.167 billion, expenditures of \$886.5 million, and net transfers to other funds of \$200.6 million (non-GAAP budgetary basis). This was a \$129.4 million increase in revenues over the previous year. The fiscal year 2011 General Fund consensus revenue forecast initially approved by the Emergency Board in July, 2010 was subsequently revised upward by the Emergency Board at their January 2011 meeting. Compared to target, the revenues were 7.1 percent above the July, 2010 revised revenue forecast of \$1,090.4 million, and 4.5 percent above the January 2011 revenue forecast of \$1,117.5 million. The higher than projected General Fund revenues were attributable to higher than expected Personal Income Tax receipts (\$19.0 million above target), Estate Tax receipts (\$14.9 million above target), Corporate Income Tax receipts (\$9.1 million above target), and Sales & Use Tax receipts (\$1.6 million above target). No revenues were significantly below target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of \$54.4 million, representing the statutory maximum of 5 percent of the prior year appropriations level.

**PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2011, was \$1.838 billion, a total increase of 11.0 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2011, the State had \$213.3 million of general obligation bonds outstanding related to capital assets of these other organizations. Additional information on the State's capital assets can be found in Note 4 of the notes to the financial statements.

**TABLE 3**  
**Capital Assets at Fiscal Year End**  
*(Net of depreciation, amounts in thousands)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land, Land Use Rights, and Land Improvements	\$ 114,141	\$ 108,125	\$ -	\$ -	\$ 114,141	\$ 108,125
Construction in Progress	439,533	396,092	-	-	439,533	396,092
Works of Art	136	136	-	-	136	136
Buildings and Improvements	245,633	222,290	23	29	245,656	222,319
Machinery and Equipment	54,138	49,762	834	915	54,972	50,677
Infrastructure	983,474	878,556	-	-	983,474	878,556
Totals	<u>\$ 1,837,055</u>	<u>\$ 1,654,961</u>	<u>\$ 857</u>	<u>\$ 944</u>	<u>\$ 1,837,912</u>	<u>\$ 1,655,905</u>

Totals may not add due to rounding.

### Debt Administration

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2011, the State of Vermont's outstanding general and special obligation bond debt increased by approximately \$36.8 million. This increase can be accounted for by the issuance of \$75 million of general obligation bonds, \$14.3 million of special obligation bonds and accretion of \$0.5 million in principal on the State's capital appreciation bonds offset by the redemption of \$53.1 million. Additional information on the State's bonded debt is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2007), AA+ by Standard & Poor's Ratings Services (since September 2000), and AAA by Fitch Ratings (since April 2010).

## ECONOMIC FACTORS AFFECTING THE STATE

### Capital Debt Affordability

Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation debt that prudently may be authorized for the next fiscal year. In September 2010, the CDAAC issued its recommendation by presenting two proposals, one for fiscal year 2012 alone and one for fiscal years 2012 and 2013 as a unit. The CDAAC proposed that the maximum amount of long-term general obligation debt authorized to be issued by the State in each of fiscal year 2012 and 2013 be \$76.58 million or a total of \$153.16 million for the two year period.

### Economic Outlook

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to 18 months since the

State's last period of economic recession ended. Real GDP growth is expected to accelerate in the second half of 2011 to more than 3%. Consumer spending has continued to underpin the recovery. The primary downside risks are related to potential economic policy errors in Washington and the European Union. Job market data shows that Vermont labor markets have continued to outpace the U.S. average, with the sixth lowest unemployment rate in the nation in May, 2011 at 5.4%. Construction and real estate markets continue to struggle, and housing prices in Vermont experienced a minor decline. This poses policy challenges for the Education Fund property tax. Income based taxes showed exceptional strength in 2011; however much of this strength was due to one-time events, which are unlikely to recur. The large consumption taxes ended fiscal year 2011 about 1% above target, and growth is expected to continue into fiscal year 2012.

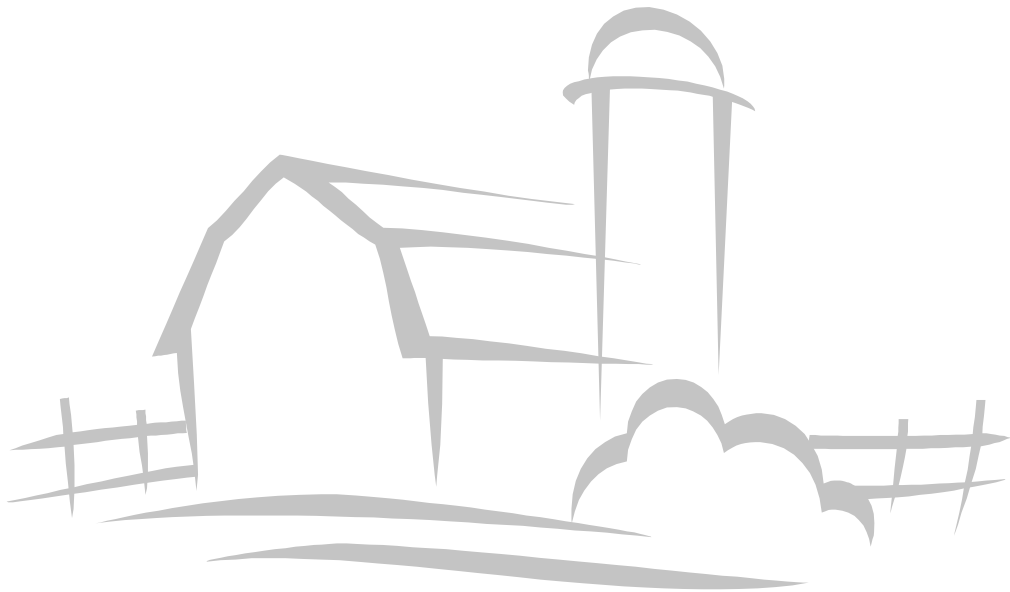
### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont  
Department of Finance and Management  
109 State Street, 5th Floor  
Pavilion Building  
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.

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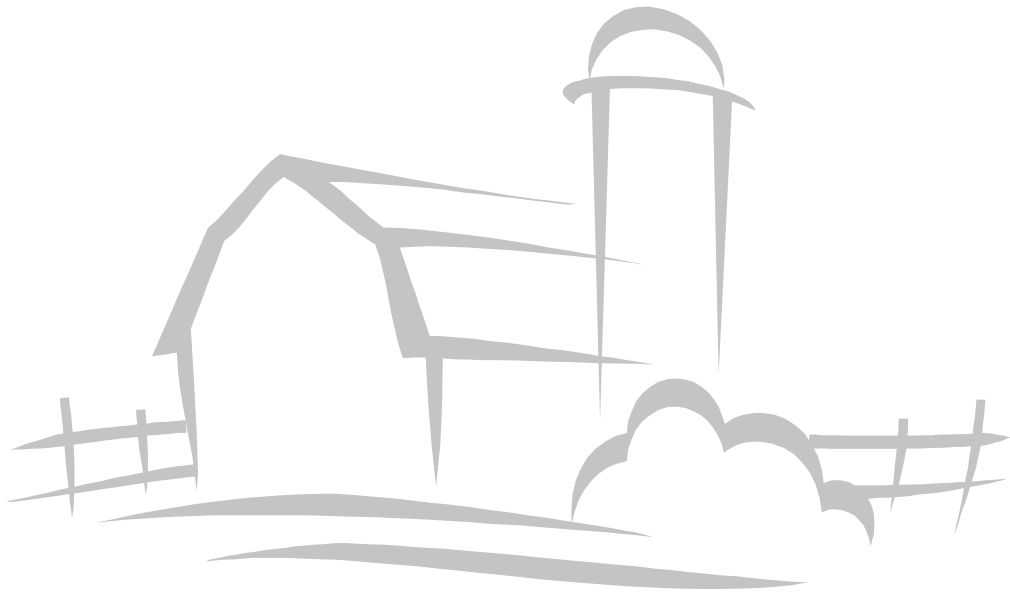
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## ***BASIC FINANCIAL STATEMENTS***



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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**STATE OF VERMONT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents.....	\$ 582,325,752	\$ 43,845,771	\$ 626,171,523	\$ 326,383,685
Taxes receivable, net.....	90,279,097	29,622,607	119,901,704	-
Loans and notes receivable, net.....	33,757,683	982,624	34,740,307	236,465,398
Federal grants receivable.....	156,994,169	1,391,094	158,385,263	40,612,850
Other receivables, net.....	20,643,901	3,251,586	23,895,487	95,796,007
Investments.....	25,749,691	-	25,749,691	202,714,982
Inventories.....	2,532,668	5,782,411	8,315,079	398,812
Internal balances.....	2,975,817	(2,975,817)	-	-
Receivable from primary government.....	-	-	-	3,276,859
Other current assets.....	1,183,927	137,255	1,321,182	37,407,578
<b>Total current assets.....</b>	<b>916,442,705</b>	<b>82,037,531</b>	<b>998,480,236</b>	<b>943,056,171</b>
Noncurrent Assets				
Cash and equivalents.....	-	536,854	536,854	187,476,444
Taxes receivable.....	108,821,598	-	108,821,598	-
Other receivables.....	48,599,397	69,802	48,669,199	-
Loans and notes receivable.....	190,580,047	1,537,896	192,117,943	2,908,580,046
Investments.....	40,239,000	2,079,970	42,318,970	533,832,985
Other noncurrent assets.....	8,509,408	-	8,509,408	30,032,294
Capital assets				
Land.....	114,140,562	-	114,140,562	32,656,316
Construction in progress.....	439,533,473	-	439,533,473	10,326,338
Works of art.....	136,003	-	136,003	-
Capital assets being depreciated				
Infrastructure.....	1,686,052,884	-	1,686,052,884	32,877,703
Property, plant and equipment.....	596,484,486	2,179,933	598,664,419	1,149,556,473
Less accumulated depreciation.....	(999,292,084)	(1,323,029)	(1,000,615,113)	(477,303,443)
<b>Total capital assets, net of depreciation.....</b>	<b>1,837,055,324</b>	<b>856,904</b>	<b>1,837,912,228</b>	<b>748,113,387</b>
<b>Total noncurrent assets.....</b>	<b>2,233,804,774</b>	<b>5,081,426</b>	<b>2,238,886,200</b>	<b>4,408,035,156</b>
<b>Total assets.....</b>	<b>3,150,247,479</b>	<b>87,118,957</b>	<b>3,237,366,436</b>	<b>5,351,091,327</b>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and other current liabilities.....	245,290,256	9,426,071	254,716,327	103,105,780
Income tax refunds payable.....	57,783,477	-	57,783,477	-
Payable to primary government.....	-	-	-	1,699,116
Payable to component units.....	1,577,743	-	1,577,743	-
Intergovernmental payable - due to federal government..	6,526,509	-	6,526,509	-
Accrued interest payable.....	8,202,163	-	8,202,163	8,516,287
Current portion of long-term liabilities.....	88,292,466	3,103,164	91,395,630	628,119,216
Unearned revenue.....	4,789,773	730,125	5,519,898	34,126,979
<b>Total current liabilities.....</b>	<b>412,462,387</b>	<b>13,259,360</b>	<b>425,721,747</b>	<b>775,567,378</b>
Long-term liabilities				
Lottery prize awards payable.....	-	1,610,161	1,610,161	-
Bonds, notes and leases payable.....	461,286,181	-	461,286,181	3,296,365,817
Compensated absences.....	11,342,510	136,668	11,479,178	-
Claims and judgments.....	29,588,523	-	29,588,523	-
Other long-term liabilities.....	641,561,494	77,731,861	719,293,355	185,572,880
<b>Total long-term liabilities.....</b>	<b>1,143,778,708</b>	<b>79,478,690</b>	<b>1,223,257,398</b>	<b>3,481,938,697</b>
<b>Total liabilities.....</b>	<b>1,556,241,095</b>	<b>92,738,050</b>	<b>1,648,979,145</b>	<b>4,257,506,075</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	1,607,969,779	856,904	1,608,826,683	145,156,808
Restricted for				
Component unit net assets.....	-	-	-	807,031,000
Funds held in permanent investments				
Expendable.....	351,958	-	351,958	-
Nonexpendable.....	7,416,453	-	7,416,453	-
General government.....	14,671,050	-	14,671,050	-
Protection to persons and property.....	19,241,898	-	19,241,898	-
Human services.....	150,450,296	-	150,450,296	-
Labor.....	5,216,212	-	5,216,212	-
General education.....	1,748,464	-	1,748,464	-
Natural resources .....	285,295,363	-	285,295,363	-
Commerce and community development.....	301,027	-	301,027	-
Transportation.....	4,486,803	-	4,486,803	-
Debt service.....	1,986,575	-	1,986,575	-
Unrestricted (deficit).....	(505,129,494)	(6,475,997)	(511,605,491)	141,397,444
<b>Total net assets.....</b>	<b>\$ 1,594,006,384</b>	<b>\$ (5,619,093)</b>	<b>\$ 1,588,387,291</b>	<b>\$ 1,093,585,252</b>

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>				
<b>Primary Government</b>				
Governmental activities				
General government.....	\$ 161,192,255	\$ 22,091,755	\$ 43,111,170	\$ -
Protection to persons and property.....	325,958,987	150,756,058	64,879,053	8,088
Human services.....	1,969,294,411	22,759,476	1,351,440,489	-
Labor.....	32,193,842	12,731,226	24,597,727	-
General education.....	1,670,516,810	3,045,264	147,134,563	142,522
Natural resources.....	106,875,097	24,973,700	34,925,071	18,864,847
Commerce and community development....	48,205,655	512,176	18,697,438	-
Transportation.....	390,837,034	119,421,823	19,161,114	295,561,925
Interest on long-term debt.....	20,887,649	667,564	-	-
Total governmental activities.....	<u>4,725,961,740</u>	<u>356,959,042</u>	<u>1,703,946,625</u>	<u>314,577,382</u>
Business-type activities				
Vermont Lottery Commission.....	74,146,769	95,542,973	-	-
Liquor Control.....	47,928,143	50,249,370	-	-
Unemployment Compensation.....	190,679,297	116,323,099	62,444,950	-
Other .....	<u>4,761,243</u>	<u>4,423,387</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>317,515,452</u>	<u>266,538,829</u>	<u>62,444,950</u>	<u>-</u>
<b>Total primary government.....</b>	<b><u>\$ 5,043,477,192</u></b>	<b><u>\$ 623,497,871</u></b>	<b><u>\$ 1,766,391,575</u></b>	<b><u>\$ 314,577,382</u></b>
<b>Component Units</b>				
Vermont Student Assistance Corporation.....	\$ 111,490,000	\$ 63,072,000	\$ 47,246,000	\$ -
University of Vermont and State Agricultural College.....	609,156,000	344,995,000	235,087,000	8,790,000
Vermont State Colleges.....	184,785,099	113,623,464	67,765,321	2,792,353
Vermont Housing Finance Agency.....	40,223,750	1,152,554	-	-
Other.....	<u>69,850,724</u>	<u>47,990,257</u>	<u>29,486,620</u>	<u>5,952,918</u>
<b>Total component units.....</b>	<b><u>\$ 1,015,505,573</u></b>	<b><u>\$ 570,833,275</u></b>	<b><u>\$ 379,584,941</u></b>	<b><u>\$ 17,535,271</u></b>

**General Revenues**

<b>Taxes</b>
Personal and corporate income.....
Sales and use.....
Meals and rooms.....
Purchase and use.....
Motor fuel.....
Statewide education.....
Other taxes.....

Total taxes.....
Investment earnings.....
Tobacco litigation settlement.....
Additions to non-expendable endowments..
Miscellaneous.....
Transfers.....

Total general revenues and transfers.....

Changes in net assets.....

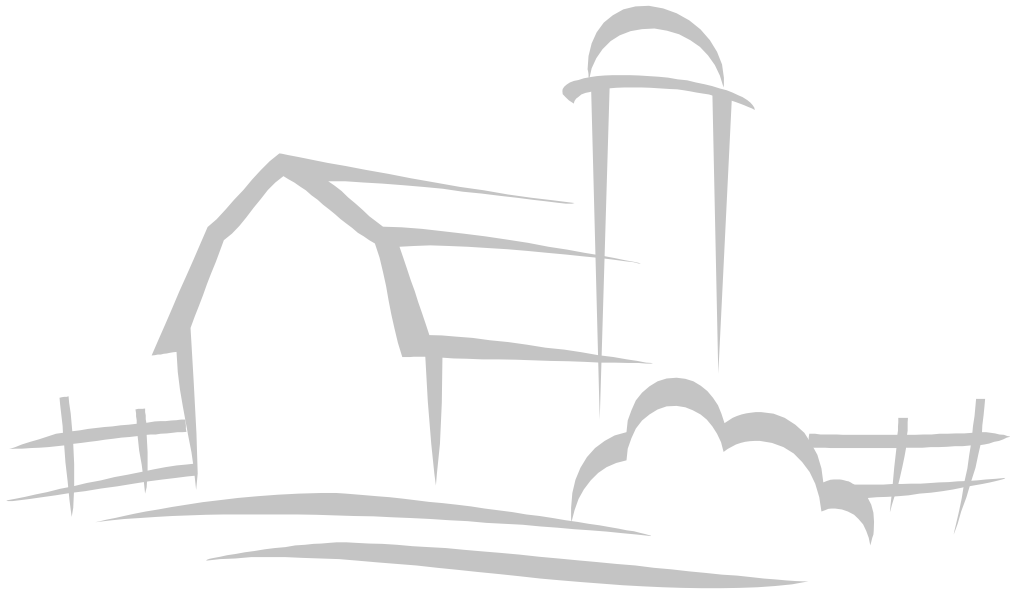
Net Assets - Beginning, as restated.....

Net Assets - Ending.....

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
\$ (95,989,330)	\$ -	\$ (95,989,330)	\$ -
(110,315,788)	-	(110,315,788)	-
(595,094,446)	-	(595,094,446)	-
5,135,111	-	5,135,111	-
(1,520,194,461)	-	(1,520,194,461)	-
(28,111,479)	-	(28,111,479)	-
(28,996,041)	-	(28,996,041)	-
43,307,828	-	43,307,828	-
(20,220,085)	-	(20,220,085)	-
(2,350,478,691)	-	(2,350,478,691)	-
-	21,396,204	21,396,204	-
-	2,321,227	2,321,227	-
-	(11,911,248)	(11,911,248)	-
-	(337,856)	(337,856)	-
-	11,468,327	11,468,327	-
(2,350,478,691)	11,468,327	(2,339,010,364)	-
			(1,172,000)
-	-	-	(20,284,000)
-	-	-	(603,961)
-	-	-	(39,071,196)
-	-	-	13,579,071
-	-	-	(47,552,086)
677,861,819	-	677,861,819	-
323,353,299	-	323,353,299	-
122,558,397	-	122,558,397	-
76,994,312	-	76,994,312	-
63,712,289	-	63,712,289	-
917,936,004	-	917,936,004	-
379,268,726	-	379,268,726	6,101,662
2,561,684,846	-	2,561,684,846	6,101,662
2,966,334	(23,367)	2,942,967	117,673,767
33,864,352	-	33,864,352	-
-	-	-	547,550
4,157,045	11,929	4,168,974	18,368,836
22,025,934	(22,025,934)	-	-
2,624,698,511	(22,037,372)	2,602,661,139	142,691,815
274,219,820	(10,569,045)	263,650,775	95,139,729
1,319,786,564	4,949,952	1,324,736,516	998,445,523
\$ 1,594,006,384	\$ (5,619,093)	\$ 1,588,387,291	\$ 1,093,585,252

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*Vermont*



**GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS**



**STATE OF VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 137,418,605	\$ 23,178,460	\$ 49,300,991	\$ 85,530,159
Investments.....	11,700,000	-	-	29,799,815
Receivables				
Taxes receivable, net.....	171,126,714	9,631,221	14,121,245	4,118,487
Accrued interest receivable.....	11,936	188	-	1,929
Notes and loans receivable.....	757,999	210,010	-	4,566,671
Other receivables, net.....	7,428,674	8,958,054	-	22,260,668
Intergovernmental receivables - federal government, net.....	376,253	29,561,030	-	-
Due from other funds.....	802,292	181,069	-	1,936,678
Due from component units.....	2,949,534	-	-	62,827
Interfund receivable.....	39,065,716	-	-	-
Advances to other funds.....	303,400	-	-	-
Advances to component units.....	1,142,663	-	-	-
<b>Total assets.....</b>	<u>\$ 373,083,786</u>	<u>\$ 71,720,032</u>	<u>\$ 63,422,236</u>	<u>\$ 148,277,234</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable.....	\$ 22,700,868	\$ 36,364,797	\$ 11,642,647	\$ 26,380,798
Accrued liabilities.....	7,890,806	3,827,643	-	2,475,600
Retainage payable.....	66,618	249,417	-	16,915
Due to other funds.....	12,534,050	62,042	10,195	22,484,573
Due to component units.....	-	-	-	-
Intergovernmental payable - federal government.....	-	-	-	-
Tax refunds payable.....	5,356,351	-	162,735	3,539
Deferred revenue.....	110,159,075	10,879,587	2,858,065	11,802,973
<b>Total liabilities.....</b>	<u>158,707,768</u>	<u>51,383,486</u>	<u>14,673,642</u>	<u>63,164,398</u>
<b>FUND BALANCES</b>				
Nonspendable				
Advances.....	1,446,063	-	-	-
Long-term notes and loans receivable.....	757,999	-	-	-
Permanent Fund principal.....	-	-	-	-
Restricted.....	-	-	-	5,234,120
Committed.....	60,165,194	20,336,546	48,748,594	79,555,767
Assigned.....	5,364,300	-	-	322,949
Unassigned.....	146,642,462	-	-	-
<b>Total fund balances.....</b>	<u>214,376,018</u>	<u>20,336,546</u>	<u>48,748,594</u>	<u>85,112,836</u>
<b>Total liabilities and fund balances.....</b>	<u>\$ 373,083,786</u>	<u>\$ 71,720,032</u>	<u>\$ 63,422,236</u>	<u>\$ 148,277,234</u>

The accompanying notes are an integral part of these financial statements.

<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
\$ 87,536,132	\$ 86,705,005	\$ 59,031,349	\$ -	\$ 528,700,701
433,127	-	24,055,749	-	65,988,691
-	-	103,028	-	199,100,695
14,404	-	-	-	28,457
218,803,050	-	-	-	224,337,730
2,529,518	23,625,126	545,666	-	65,347,706
70,842,053	55,672,296	542,537	-	156,994,169
330,840	34,330,547	9,198	(35,774,985)	1,815,639
493,626	-	-	-	3,505,987
-	-	-	-	39,065,716
-	-	-	-	303,400
-	-	-	-	1,142,663
<u>\$ 380,982,750</u>	<u>\$ 200,332,974</u>	<u>\$ 84,287,527</u>	<u>\$ (35,774,985)</u>	<u>\$ 1,286,331,554</u>
\$ 40,136,960	\$ 78,232,059	\$ 5,182,519	\$ -	\$ 220,640,648
3,426,264	1,696,994	400,442	-	19,717,749
317,912	302,357	1,366,685	-	2,319,904
967,472	34,195	67,005	(35,774,985)	384,547
-	-	6,226,393	-	6,226,393
5,209,262	-	-	-	5,209,262
-	-	-	-	5,522,625
9,479,084	11,997,730	595	-	157,177,109
<u>59,536,954</u>	<u>92,263,335</u>	<u>13,243,639</u>	<u>(35,774,985)</u>	<u>417,198,237</u>
-	-	-	-	1,446,063
-	-	-	-	757,999
-	-	7,416,453	-	7,416,453
321,445,796	108,069,639	33,780,876	-	468,530,431
-	-	31,178,227	-	239,984,328
-	-	-	-	5,687,249
-	-	(1,331,668)	-	145,310,794
<u>321,445,796</u>	<u>108,069,639</u>	<u>71,043,888</u>	<u>-</u>	<u>869,133,317</u>
<u>\$ 380,982,750</u>	<u>\$ 200,332,974</u>	<u>\$ 84,287,527</u>	<u>\$ (35,774,985)</u>	<u>\$ 1,286,331,554</u>

**State of Vermont**  
**Reconciliation of Governmental Fund Balances**  
**to the Statement of Net Assets - Governmental Activities**  
**June 30, 2011**

<b>Total fund balances from previous page .....</b>	<b>\$</b>	<b>869,133,317</b>
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Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:

Land.....	114,114,406	
Construction in progress.....	436,103,725	
Depreciable capital assets and infrastructure, net of \$951,106,562 of accumulated depreciation.....	1,250,560,598	

Capital assets, net of accumulated depreciation.....		1,800,778,729
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....

9,345,161

Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:

Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....		152,414,957
Deferred charge for unamortized bond issuance costs and discount on sale of bonds.....		3,826,930
Deferred for unamortized loss on sale of refunding bonds.....		4,682,478

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:

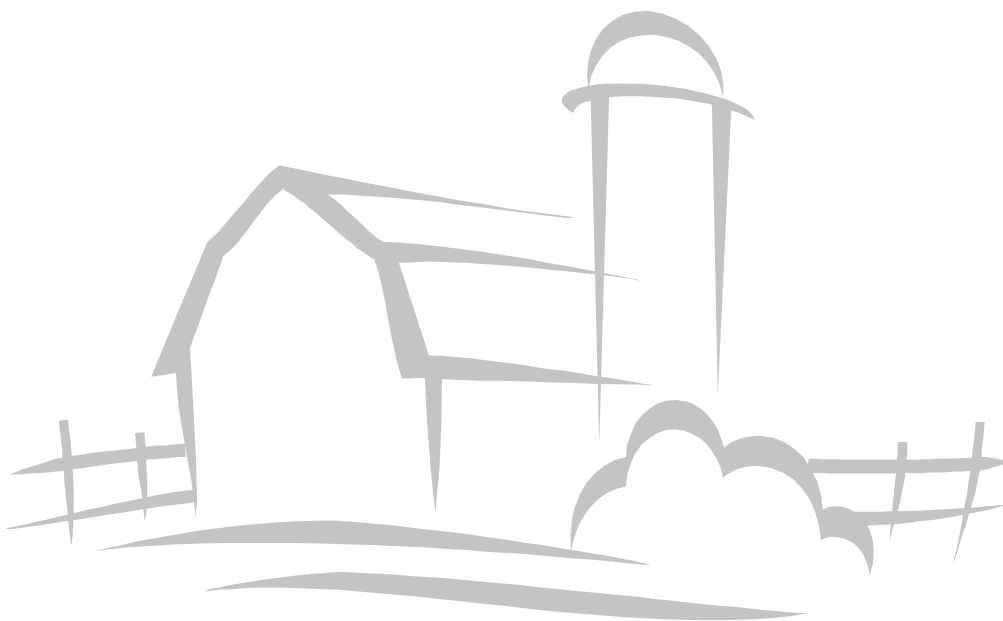
Bonded and capital lease debt (net of internal service funds' liability).....	(509,654,828)	
Accrued interest payable on bonds.....	(8,202,163)	
Intergovernmental payable - federal government.....	(1,317,247)	
Compensated absences (net of internal service funds' liability).....	(31,117,057)	
Tax refunds payable.....	(52,260,852)	
Other long-term liabilities.....	(643,623,041)	

Long-term liabilities.....		(1,246,175,188)
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<b>Net assets of governmental activities.....</b>	<b>\$</b>	<b><u>1,594,006,384</u></b>
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The accompanying notes are an integral part of these financial statements.

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*Vermont*

**STATE OF VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>
<b>REVENUES</b>				
Taxes				
Personal income tax.....	\$ 551,344,136	\$ -	\$ -	\$ 2,747,962
Corporate income tax.....	93,915,057	-	-	-
Sales and use tax.....	217,092,154	-	108,382,402	-
Meals and rooms tax.....	122,484,475	-	-	-
Motor fuels tax.....	-	60,888,496	-	1,872,870
Purchase and use tax.....	-	51,325,929	25,668,383	-
Statewide education tax.....	-	-	917,936,004	-
Other taxes.....	156,273,036	16,745,111	2,128,074	209,732,523
Earnings of departments				
Fees.....	20,451,033	23,826,276	-	61,054,554
Rents and leases.....	-	1,534,358	-	3,192,162
Sales of services.....	1,070,211	9,515	-	12,362,881
Federal grants.....	-	314,336,296	-	-
Fines, forfeits and penalties.....	5,736,182	5,108,614	-	6,873,865
Investment income.....	388,901	104,385	52,155	3,013,980
Licenses				
Business.....	2,964,818	707,923	-	13,351,859
Non-business.....	82,225	76,635,359	-	3,218,394
Special assessments.....	-	-	-	60,465,150
Other revenues.....	2,770,752	10,780,792	-	75,079,850
<b>Total revenues.....</b>	<b>1,174,572,980</b>	<b>562,003,054</b>	<b>1,054,167,018</b>	<b>452,966,050</b>
<b>EXPENDITURES</b>				
General government.....	72,428,990	-	9,921,783	16,228,144
Protection to persons and property.....	98,940,392	28,576,070	-	110,545,823
Human services.....	391,601,800	-	-	50,894,324
Labor.....	2,347,670	-	-	4,617,824
General education.....	141,597,694	-	1,298,115,318	18,703,612
Natural resources.....	19,492,396	-	-	27,227,952
Commerce and community development.....	17,429,577	-	-	4,130,147
Transportation.....	23,570	523,760,388	-	77,863
Debt service.....	-	-	-	-
<b>Total expenditures.....</b>	<b>743,862,089</b>	<b>552,336,458</b>	<b>1,308,037,101</b>	<b>232,425,689</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>430,710,891</b>	<b>9,666,596</b>	<b>(253,870,083)</b>	<b>220,540,361</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of bonds.....	-	-	-	-
Premium on sale of bonds.....	-	-	-	-
Transfers in.....	43,576,969	-	256,173,438	54,452,152
Transfers out.....	(400,161,485)	(8,493,350)	-	(292,273,024)
<b>Total other financing sources (uses).....</b>	<b>(356,584,516)</b>	<b>(8,493,350)</b>	<b>256,173,438</b>	<b>(237,820,872)</b>
<b>Net change in fund balances.....</b>	<b>74,126,375</b>	<b>1,173,246</b>	<b>2,303,355</b>	<b>(17,280,511)</b>
<b>Fund balances, July 1, as restated.....</b>	<b>140,249,643</b>	<b>19,163,300</b>	<b>46,445,239</b>	<b>102,393,347</b>
<b>Fund balances, June 30.....</b>	<b>\$ 214,376,018</b>	<b>\$ 20,336,546</b>	<b>\$ 48,748,594</b>	<b>\$ 85,112,836</b>

The accompanying notes are an integral part of these statements.

<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 554,092,098
-	-	-	-	93,915,057
-	-	-	-	325,474,556
-	-	-	-	122,484,475
-	-	950,923	-	63,712,289
-	-	-	-	76,994,312
-	-	-	-	917,936,004
-	-	-	-	384,878,744
-	-	171,135	-	105,502,998
-	-	46,322	-	4,772,842
-	-	2,175	-	13,444,782
902,656,765	783,392,647	7,719,122	-	2,008,104,830
-	-	10,884	-	17,729,545
470,597	-	2,307,295	-	6,337,313
-	-	1,320	-	17,025,920
2,500	-	6,514,987	-	86,453,465
-	-	8,616	-	60,473,766
641,116	-	906,535	-	90,179,045
<u>903,770,978</u>	<u>783,392,647</u>	<u>18,639,314</u>	<u>-</u>	<u>4,949,512,041</u>
41,435,805	-	27,691,725	-	167,706,447
62,859,582	1,843,342	7,733,403	-	310,498,612
525,972,108	987,702,115	5,991,462	-	1,962,161,809
23,990,754	-	-	-	30,956,248
147,109,795	5,382,869	12,643,431	-	1,623,552,719
40,708,822	-	21,393,525	-	108,822,695
18,680,493	-	7,993,022	-	48,233,239
-	-	12,798,001	-	536,659,822
-	-	71,912,126	-	71,912,126
<u>860,757,359</u>	<u>994,928,326</u>	<u>168,156,695</u>	<u>-</u>	<u>4,860,503,717</u>
<u>43,013,619</u>	<u>(211,535,679)</u>	<u>(149,517,381)</u>	<u>-</u>	<u>89,008,324</u>
-	-	89,400,000	-	89,400,000
-	-	1,602,102	-	1,602,102
3,866,297	341,076,074	84,550,885	(755,867,216)	27,828,599
(27,772,478)	(23,570,491)	(5,866,297)	755,867,216	(2,269,909)
<u>(23,906,181)</u>	<u>317,505,583</u>	<u>169,686,690</u>	<u>-</u>	<u>116,560,792</u>
19,107,438	105,969,904	20,169,309	-	205,569,116
<u>302,338,358</u>	<u>2,099,735</u>	<u>50,874,579</u>	<u>-</u>	<u>663,564,201</u>
<u>\$ 321,445,796</u>	<u>\$ 108,069,639</u>	<u>\$ 71,043,888</u>	<u>\$ -</u>	<u>\$ 869,133,317</u>

**State of Vermont**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds to the**  
**Statement of Activities - Governmental Activities**  
**For the Fiscal Year Ended June 30, 2011**

**Total net change in fund balances from the previous page..... \$ 205,569,116**

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).

Capital outlay/functional expenditures and expensed net book value of disposed capital assets .....	263,751,023
Depreciation expense .....	(84,556,135)

Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayment.....	53,195,000
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Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Bonds issued.....	(89,400,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....	61,594
Refunding bonds gain amortized over the life of the refunded bonds.....	(2,429,122)
Bond discount is amortized over the life of the bonds in the statement of activities.....	(22,351)

Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....

653,385

Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....

412,962

Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities.....

15,076,585

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net increase in accrued interest payable.....	(803,041)
Accreted interest on capital appreciation bonds.....	(579,705)
Increase in compensated absences.....	(44,009)
Increase in employer pension and other postemployment related costs.....	(94,307,797)
Increase in pollution remediation related costs.....	(54,536)
Increase in intergovernmental payable - federal government.....	(1,317,247)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds.

The net revenue (expense) of the internal service funds is reported with governmental activities.....

9,014,098

**Total changes in net assets of governmental activities as reported on the statement of activities.....**

**\$ 274,219,820**

The accompanying notes are an integral part of these financial statements.



***PROPRIETARY FUNDS  
FINANCIAL STATEMENTS***



STATE OF VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	\$ 37,833,410	\$ 2,711,693	\$ 1,954,250
Receivables			
Taxes receivable, net of allowance for uncollectibles.....	29,622,607	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable, net of allowance for uncollectibles.....	1,071,553	428,070	1,406,865
Loans receivable.....	-	-	-
Due from other funds.....	-	-	-
Intergovernmental receivables - federal government.....	1,391,094	-	-
Inventories, at cost.....	-	5,125,250	485,136
Prepaid expenses.....	-	-	-
<b>Total current assets.....</b>	<b>69,918,664</b>	<b>8,265,013</b>	<b>3,846,251</b>
<b>Restricted and Noncurrent Assets</b>			
Cash - subscription reserve fund.....	-	-	-
Investments.....	-	-	2,079,970
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	500	300,000
<b>Total restricted assets.....</b>	<b>-</b>	<b>500</b>	<b>2,379,970</b>
<b>Capital Assets</b>			
Land.....	-	-	-
Construction in progress.....	-	-	-
Works of art.....	-	-	-
Capital assets being depreciated/amortized			
Machinery, equipment and buildings.....	-	1,904,880	269,244
Less accumulated depreciation.....	-	(1,083,309)	(238,187)
<b>Total capital assets, net of depreciation.....</b>	<b>-</b>	<b>821,571</b>	<b>31,057</b>
<b>Total restricted and capital assets.....</b>	<b>-</b>	<b>822,071</b>	<b>2,411,027</b>
<b>Total assets.....</b>	<b>69,918,664</b>	<b>9,087,084</b>	<b>6,257,278</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable.....	1,058,082	4,744,614	449,309
Accrued salaries and benefits.....	-	317,293	136,776
Claims payable.....	-	-	-
Due to lottery winners.....	-	-	244,014
Due to agents.....	-	429,546	-
Due to other funds.....	112,800	717,738	-
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	2,659,643
Unearned revenue.....	-	-	159,537
Capital leases payable.....	-	-	-
Other current liabilities.....	2,215,511	-	-
<b>Total current liabilities.....</b>	<b>3,386,393</b>	<b>6,209,191</b>	<b>3,649,279</b>
<b>Long-term Liabilities</b>			
Unexpired subscriptions.....	-	-	-
Due to lottery winners.....	-	-	1,610,161
Claims payable.....	-	-	-
Advances from other funds.....	-	500	300,000
Capital leases payable.....	-	-	-
Other noncurrent liabilities.....	77,731,861	-	-
<b>Total long-term liabilities.....</b>	<b>77,731,861</b>	<b>500</b>	<b>1,910,161</b>
<b>Total liabilities.....</b>	<b>81,118,254</b>	<b>6,209,691</b>	<b>5,559,440</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	-	821,571	31,057
Unrestricted (deficit).....	(11,199,590)	2,055,822	666,781
<b>Total net assets.....</b>	<b>\$ (11,199,590)</b>	<b>\$ 2,877,393</b>	<b>\$ 697,838</b>

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
\$ 1,043,017	\$ -	\$ 43,542,370	\$ 53,625,051
-	-	29,622,607	-
14,450	-	14,450	-
330,649	-	3,237,137	9,146,394
982,624	-	982,624	-
112,995	(112,800)	195	8,996
-	-	1,391,094	-
172,025	-	5,782,411	2,532,668
137,255	-	137,255	1,183,927
2,793,015	(112,800)	84,710,143	66,497,036
536,854	-	536,854	-
-	-	2,079,970	-
1,537,896	-	1,537,896	-
69,802	-	69,802	-
2,900	-	303,400	-
2,147,452	-	4,527,922	-
-	-	-	26,156
-	-	-	3,429,748
-	-	-	8,200
5,809	-	2,179,933	80,998,013
(1,533)	-	(1,323,029)	(48,185,522)
4,276	-	856,904	36,276,595
2,151,728	-	5,384,826	36,276,595
4,944,743	(112,800)	90,094,969	102,773,631
349,660	-	6,601,665	6,849,879
61,241	-	515,310	2,673,454
-	-	-	12,155,134
-	-	244,014	-
-	-	429,546	-
702	(112,800)	718,440	1,098,096
1,972,601	-	1,972,601	36,756,237
-	-	2,659,643	-
33,734	-	193,271	27,621
-	-	-	480,440
214	-	2,215,725	-
2,418,152	(112,800)	15,550,215	60,040,861
536,854	-	536,854	-
-	-	1,610,161	-
-	-	-	29,588,523
2,900	-	303,400	-
-	-	-	3,780,657
-	-	77,731,861	-
539,754	-	80,182,276	33,369,180
2,957,906	(112,800)	95,732,491	93,410,041
4,276	-	856,904	32,015,498
1,982,561	-	(6,494,426)	(22,651,908)
\$ 1,986,837	\$ -	(5,637,522)	\$ 9,363,590
Adjustment to reflect the consolidation of internal service activities related to enterprise funds.....		18,429	
Net Assets - Business-type Activities.....		\$ (5,619,093)	

**STATE OF VERMONT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Unemployment Compensation Trust Fund</b>	<b>Liquor Control Fund</b>	<b>Vermont Lottery Commission</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services.....	\$ 116,323,099	\$ 46,973,750	\$ -
Ticket sales.....	-	-	95,540,604
Rental income.....	-	-	-
License fees.....	-	1,150,469	-
Federal donated properties.....	-	-	-
Advertising revenues.....	-	-	-
Other operating revenues.....	-	2,125,151	2,369
<b>Total operating revenues.....</b>	<b>116,323,099</b>	<b>50,249,370</b>	<b>95,542,973</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and services.....	-	37,018,810	71,526,163
Claims expense.....	190,679,297	-	-
Salaries and benefits.....	-	3,521,875	1,427,886
Insurance premium expense.....	-	16,305	5,974
Contractual services.....	-	600,075	80,321
Repairs and maintenance.....	-	83,198	7,588
Depreciation.....	-	302,700	14,910
Rental expense.....	-	60,267	187,817
Utilities and property management.....	-	327,304	89,901
Non-capital equipment purchased.....	-	169,818	18,774
Promotions and advertising.....	-	67,801	546,342
Administration expenses.....	-	79,060	22,066
Supplies and parts.....	-	194,530	33,423
Distribution and postage.....	-	40,240	20,673
Travel.....	-	31,260	10,670
Other operating expenses.....	-	5,458,126	168,703
<b>Total operating expenses.....</b>	<b>190,679,297</b>	<b>47,971,369</b>	<b>74,161,211</b>
<b>Operating income (loss).....</b>	<b>(74,356,198)</b>	<b>2,278,001</b>	<b>21,381,762</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants.....	62,444,950	-	-
Gain on disposal of capital assets.....	-	11,929	-
Investment income.....	-	-	(24,150)
Other non-operating revenues (expenses).....	-	-	-
<b>Total nonoperating revenues (expenses).....</b>	<b>62,444,950</b>	<b>11,929</b>	<b>(24,150)</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(11,911,248)</b>	<b>2,289,930</b>	<b>21,357,612</b>
Transfers in.....	389,478	-	-
Transfers out.....	(641,253)	(840,066)	(21,435,868)
<b>Changes in net assets.....</b>	<b>(12,163,023)</b>	<b>1,449,864</b>	<b>(78,256)</b>
<b>Total net assets, July 1, as restated.....</b>	<b>963,433</b>	<b>1,427,529</b>	<b>776,094</b>
<b>Total net assets, June 30.....</b>	<b>\$ (11,199,590)</b>	<b>\$ 2,877,393</b>	<b>\$ 697,838</b>

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
\$ 3,616,973	\$ -	\$ 166,913,822	\$ 238,590,241
-	-	95,540,604	-
-	-	-	13,079,476
-	-	1,150,469	-
357,855	-	357,855	-
311,201	-	311,201	-
137,358	-	2,264,878	2,119,384
4,423,387	-	266,538,829	253,789,101
3,287,261	-	111,832,234	25,861,054
-	-	190,679,297	128,069,374
652,492	-	5,602,253	31,014,962
6,810	-	29,089	7,505,173
262,271	-	942,667	3,908,265
362	-	91,148	6,648,626
1,533	-	319,143	7,491,004
14,197	-	262,281	2,322,421
21,241	-	438,446	11,757,186
5,960	-	194,552	2,194,035
169,234	-	783,377	19,696
35,902	-	137,028	8,150,083
3,545	-	231,498	9,243,585
280,795	-	341,708	100,733
1,802	-	43,732	121,053
20,510	-	5,647,339	1,017,266
4,763,915	-	317,575,792	245,424,516
(340,528)	-	(51,036,963)	8,364,585
-	-	62,444,950	-
-	-	11,929	420,777
783	-	(23,367)	85,564
-	-	-	-
783	-	62,433,512	506,341
(339,745)	-	11,396,549	8,870,926
891,253	(1,030,731)	250,000	2,019,909
(389,478)	1,030,731	(22,275,934)	(1,816,397)
162,030	-	(10,629,385)	9,074,438
1,824,807	-	4,991,863	289,152
\$ 1,986,837	\$ -	\$ (5,637,522)	\$ 9,363,590
Total change in net assets reported above.....			\$ (10,629,385)
Consolidation adjustment of internal service activities related to enterprise funds.....			60,340
Change in net assets - business type activities...			\$ (10,569,045)

**STATE OF VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

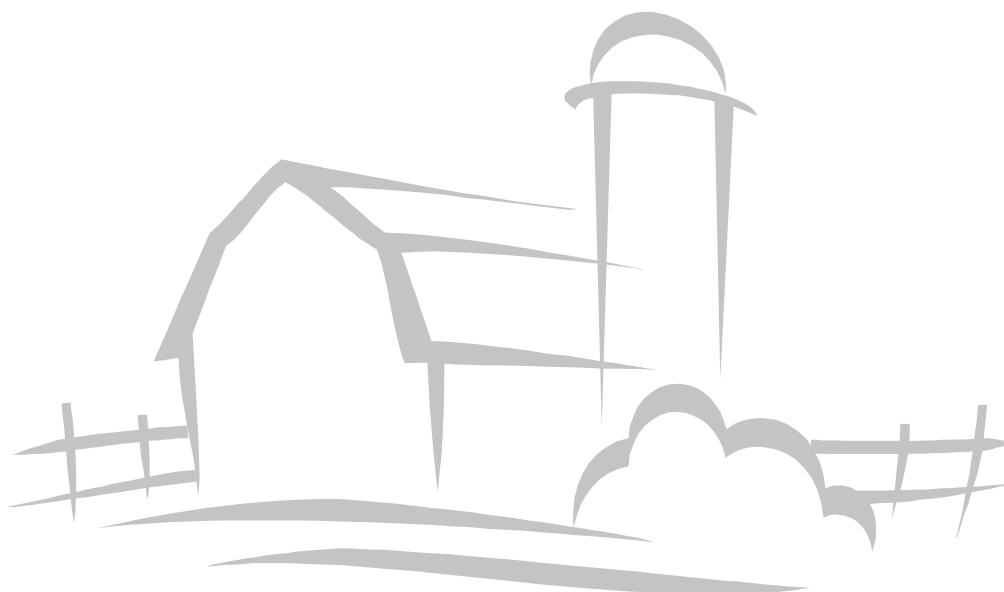
	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Unemployment Compensation Trust Fund</b>	<b>Liquor Control Fund</b>	<b>Vermont Lottery Commission</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers.....	\$ 105,395,305	\$ 62,748,426	\$ 95,504,965
Cash paid to suppliers for goods and services.....	-	(44,673,071)	-
Cash paid to employees for services.....	-	(3,651,881)	(1,501,384)
Cash paid for prizes and commissions.....	-	-	(66,143,929)
Cash paid to claimants.....	(192,079,842)	-	-
Liquor taxes and licenses paid.....	-	(15,762,364)	-
Cash paid for fees, operations and other.....	-	-	(6,457,599)
Other operating revenues.....	-	3,275,620	2,369
Other operating expenses.....	-	(11,990)	-
<b>Total cash provided (used) by operating activities.....</b>	<b>(86,684,537)</b>	<b>1,924,740</b>	<b>21,404,422</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out).....	(174,644)	(840,066)	(21,420,144)
Other nonoperating (expenses).....	-	-	-
Interfund loans and advances.....	-	(6,000)	-
Federal grants.....	62,679,296	-	-
Temporary loan from federal government.....	45,074,796	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>107,579,448</b>	<b>(846,066)</b>	<b>(21,420,144)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets.....	-	(226,042)	-
Proceeds from capital leases.....	-	-	-
Proceeds from sale of capital assets.....	-	11,929	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>-</b>	<b>(214,113)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments.....	-	-	(66,955)
Proceeds from sales/maturities of investments.....	-	-	242,219
<b>Net cash provided (used) by investing activities.....</b>	<b>-</b>	<b>-</b>	<b>175,264</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>20,894,911</b>	<b>864,561</b>	<b>159,542</b>
<b>Cash and cash equivalents, July 1.....</b>	<b>16,938,499</b>	<b>1,847,632</b>	<b>2,094,708</b>
<b>Cash and cash equivalents, June 30.....</b>	<b>\$ 37,833,410</b>	<b>\$ 2,712,193</b>	<b>\$ 2,254,250</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss).....	\$ (74,356,198)	\$ 2,278,001	\$ 21,381,762
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation and amortization.....	-	302,700	14,910
(Increase) decrease in accounts/taxes receivable.....	(10,927,794)	12,312	(67,700)
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventory.....	-	104,663	69,945
(Increase) decrease in prepaid expenses.....	-	-	-
Increase (decrease) in accounts payable.....	-	(804,836)	16,249
Increase (decrease) in accrued salaries and benefits.....	-	(130,006)	(73,498)
Increase (decrease) in claims payable.....	(1,138,391)	-	-
Increase (decrease) in due to lottery winners.....	-	-	(161,428)
Increase (decrease) in due to agents.....	-	71,931	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	192,121
Increase (decrease) in due to other funds.....	-	89,975	-
Increase (decrease) in deferred revenues.....	-	-	32,061
Increase (decrease) in other liabilities.....	(262,154)	-	-
Increase (decrease) in subscription reserves.....	-	-	-
<b>Total adjustments.....</b>	<b>(12,328,339)</b>	<b>(353,261)</b>	<b>22,660</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ (86,684,537)</b>	<b>\$ 1,924,740</b>	<b>\$ 21,404,422</b>
<b>Noncash investing, capital, and financing activities:</b>			
Retirement of assets not fully depreciated.....	-	-	-
Receipt of inventory from other funds on consignment.....	-	-	-

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash subscription reserve fund, and imprest cash on the Statement of Net Assets.

The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities-Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
\$ 4,978,724	\$ 268,627,420	\$ 254,101,990
(4,557,221)	(49,230,292)	(76,822,886)
(676,985)	(5,830,250)	(31,931,127)
-	(66,143,929)	-
-	(192,079,842)	(128,760,448)
-	(15,762,364)	-
-	(6,457,599)	-
80,308	3,358,297	2,119,384
(42,510)	(54,500)	(1,017,266)
(217,684)	(63,573,059)	17,689,647
424,644	(22,010,210)	1,229,737
-	-	-
245,982	239,982	727,040
-	62,679,296	-
-	45,074,796	-
670,626	85,983,864	1,956,777
(5,809)	(231,851)	(10,853,992)
-	-	(449,991)
-	11,929	848,213
(5,809)	(219,922)	(10,455,770)
783	(66,172)	87,647
-	242,219	-
783	176,047	87,647
447,916	22,366,930	9,278,301
1,134,855	22,015,694	44,346,750
\$ 1,582,771	\$ 44,382,624	\$ 53,625,051
\$ (340,528)	\$ (51,036,963)	\$ 8,364,585
1,533	319,143	7,491,004
60,392	(10,922,790)	2,448,325
232,376	232,376	-
2,533	2,533	-
(195)	(195)	(10,682)
(14,129)	160,479	(275,924)
(57,775)	(57,775)	(85,822)
(48,807)	(837,394)	1,369,076
(24,438)	(227,942)	(886,742)
-	(1,138,391)	(691,074)
-	(161,428)	-
-	71,931	-
-	192,121	-
(55)	89,920	(17,910)
(26,635)	5,426	(15,189)
57	(262,097)	-
(2,013)	(2,013)	-
122,844	(12,536,096)	9,325,062
\$ (217,684)	\$ (63,573,059)	\$ 17,689,647
-	-	(8,025)
-	-	7,431

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*Vermont*



***FIDUCIARY FUNDS  
FINANCIAL STATEMENTS***



**STATE OF VERMONT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 13,347,025	\$ -	\$ 4,209,305	\$ 6,754,557
Investments at fair value				
Pooled investments.....	3,279,429,741	123,133,371	-	-
Fixed income.....	5,904,488	-	-	-
Equities.....	2,741,815	-	2,715,704	-
Real estate and venture capital.....	965,098	-	-	-
Mutual funds.....	150,118,117	-	-	-
Invested securities lending collateral.....	267,399,290	10,145,680	-	-
Receivables				
Taxes.....	-	-	-	2,639,380
Contributions - current.....	10,400,871	-	-	-
Contributions - noncurrent.....	6,805,308	-	-	-
Interest and dividends.....	470,629	-	-	-
Due from other funds.....	376,253	-	-	-
Other.....	1,121,105	-	-	1,678,653
Prepaid expenses.....	10,857	-	-	-
Other assets.....	-	-	2,309,091	-
Capital assets				
Construction in progress.....	3,072,370	-	-	-
Capital assets being depreciated				
Equipment.....	2,188,574	-	613	-
Less accumulated depreciation.....	(589,497)	-	(400)	-
Total capital assets, net of depreciation.....	4,671,447	-	213	-
<b>Total assets.....</b>	<b>3,743,762,044</b>	<b>133,279,051</b>	<b>9,234,313</b>	<b>11,072,590</b>
<b>LIABILITIES</b>				
Accounts payable.....	5,426,693	123,984	14,854	-
Accrued liabilities.....	-	-	24,399	-
Claims payable.....	-	-	7,882,209	-
Retainage payable.....	602,973	-	-	-
Interfund loans payable.....	14,670	118,450	-	203,758
Due to depositories.....	-	-	-	70,018
Intergovernmental payable - other governments.....	-	-	-	6,652,452
Amounts held in custody for others.....	-	-	-	3,118,503
Other liabilities.....	-	-	-	1,027,859
Securities lending obligations.....	267,399,291	10,145,680	-	-
<b>Total liabilities.....</b>	<b>273,443,627</b>	<b>10,388,114</b>	<b>7,921,462</b>	<b>\$ 11,072,590</b>
<b>NET ASSETS HELD IN TRUST FOR</b>				
Employees' pension benefits.....	3,448,108,026	-	-	
Employees' other postemployment benefits.....	22,210,391	-	-	
Pool participants.....	-	122,890,937	-	
Individuals, organizations and other governments.....	-	-	1,312,851	
<b>Net assets held in trust for benefits and other purposes. \$</b>	<b>3,470,318,417</b>	<b>\$ 122,890,937</b>	<b>\$ 1,312,851</b>	

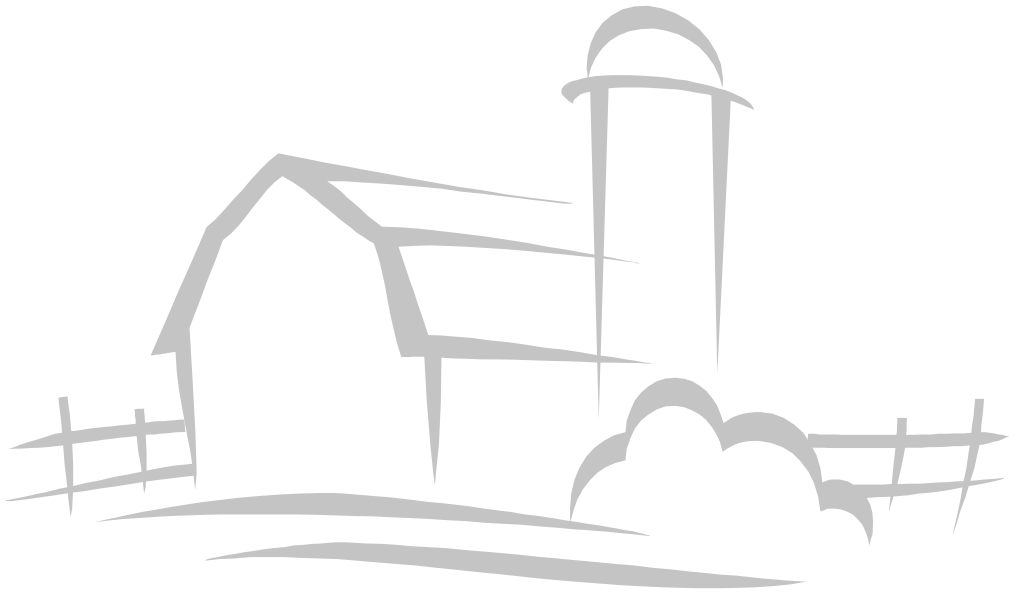
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer - pension benefit.....	\$ 84,071,931	\$ -	\$ -
Employer - healthcare benefit.....	38,963,027	-	-
Plan member.....	67,333,013	-	-
Transfers from non-state systems.....	7,379	-	-
Medicare part D drug subsidy.....	3,381,505	-	-
Early retiree reinsurance program.....	2,183,712	-	-
<b>Total contributions.....</b>	<b>195,940,567</b>	<b>-</b>	<b>-</b>
<b>Investment Income</b>			
Net appreciation in fair value of investments.....	13,905,239	-	-
Income from pooled investments.....	577,606,430	21,624,889	-
Dividends.....	2,261,783	-	-
Interest income.....	2,359,876	-	79,967
Securities lending income.....	1,527,001	-	-
Other income.....	643,781	-	-
<b>Total investment income.....</b>	<b>598,304,110</b>	<b>21,624,889</b>	<b>79,967</b>
<b>Less Investment Expenses</b>			
Investment managers and consultants.....	13,617,379	478,706	-
Securities lending expenses.....	375,531	-	-
<b>Total investment expenses.....</b>	<b>13,992,910</b>	<b>478,706</b>	<b>-</b>
<b>Net investment income.....</b>	<b>584,311,200</b>	<b>21,146,183</b>	<b>79,967</b>
<b>Pool participant deposits.....</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>
<b>Escheat property remittances.....</b>	<b>-</b>	<b>-</b>	<b>5,171,404</b>
<b>Total additions.....</b>	<b>780,251,767</b>	<b>23,146,183</b>	<b>5,251,371</b>
<b>DEDUCTIONS</b>			
Retirement benefits.....	214,757,312	-	-
Other postemployment benefits.....	43,902,020	-	-
Refunds of contributions.....	4,226,308	-	-
Death claims.....	764,430	-	-
Depreciation.....	260,980	-	205
Operating expenses.....	2,993,344	18,017	648,515
Pool participant withdrawal.....	-	2,000,000	-
Transfers out.....	-	-	3,736,268
<b>Total deductions.....</b>	<b>266,904,394</b>	<b>2,018,017</b>	<b>4,384,988</b>
<b>Change in net assts held in trust for</b>			
Employees' pension benefits.....	508,589,017	-	-
Employees' other postemployment benefits.....	4,758,356	-	-
Pool participants.....	-	21,128,166	-
Individuals, organizations and other governments.....	-	-	866,383
<b>Net Assets, July 1.....</b>	<b>2,956,971,044</b>	<b>101,762,771</b>	<b>446,468</b>
<b>Net Assets, June 30.....</b>	<b>\$ 3,470,318,417</b>	<b>\$ 122,890,937</b>	<b>\$ 1,312,851</b>

The accompanying notes are an integral part of these financial statements.

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*Vermont*



***Component Units  
Financial Statements***

**STATE OF VERMONT  
STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
JUNE 30, 2011**

	<b>Vermont Student Assistance Corporation</b>	<b>University of Vermont and State Agricultural College</b>	<b>Vermont State Colleges</b>	<b>Vermont Housing Finance Agency</b>	<b>Non-major Component Units</b>	<b>Total Component Units</b>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents.....	\$ 231,702,000	\$ 69,372,000	\$ 564,867	\$ 1,842,551	\$ 22,902,267	\$ 326,383,685
Investments.....	3,179,000	114,157,000	71,459,022	1,518,686	12,401,274	202,714,982
Accounts receivable, net.....	-	18,210,000	11,618,192	-	2,632,647	32,460,839
Accrued interest receivable - loans.....	28,409,000	-	-	3,831,875	22,148,648	54,389,523
Accrued interest receivable - investments.....	15,000	-	-	818,773	-	833,773
Loans and notes receivable - current portion.....	166,743,000	3,030,000	-	12,948,100	53,744,298	236,465,398
Other receivables.....	708,000	3,682,000	-	3,494,216	227,656	8,111,872
Due from federal government.....	313,000	19,198,000	-	-	21,101,850	40,612,850
Due from primary government.....	-	-	-	-	3,276,859	3,276,859
Inventories, at cost.....	-	-	282,498	-	116,314	398,812
Other current assets.....	1,311,000	9,763,000	9,097,455	12,988,272	4,247,851	37,407,578
<b>Total current assets.....</b>	<b>432,380,000</b>	<b>237,412,000</b>	<b>93,022,034</b>	<b>37,442,473</b>	<b>142,799,664</b>	<b>943,056,171</b>
<b>Restricted and Noncurrent Assets</b>						
Cash and cash equivalents.....	-	8,875,000	569,406	177,450,250	581,788	187,476,444
Investments.....	-	340,690,000	24,592,245	95,983,153	72,567,587	533,832,985
Deferred bond issue costs.....	8,241,000	-	-	3,569,804	6,039,199	17,850,003
Loans and notes receivable, net.....	1,696,054,000	27,519,000	5,360,356	487,249,428	692,397,262	2,908,580,046
Other assets.....	-	6,069,000	1,028,974	5,078,460	5,857	12,182,291
<b>Total restricted and noncurrent assets.....</b>	<b>1,704,295,000</b>	<b>383,153,000</b>	<b>31,550,981</b>	<b>769,331,095</b>	<b>771,591,693</b>	<b>3,659,921,769</b>
<b>Capital Assets</b>						
Land.....	3,150,000	22,197,000	5,712,848	775,000	821,468	32,656,316
Construction in progress.....	-	-	7,214,193	-	3,112,145	10,326,338
Capital assets, being depreciated						
Buildings and leasehold improvements.....	16,772,000	716,655,000	210,232,291	1,688,174	25,465,606	970,813,071
Equipment, furniture and fixtures.....	9,628,000	149,265,000	14,459,891	1,203,323	4,187,188	178,743,402
Infrastructure.....	-	-	32,877,703	-	-	32,877,703
Less accumulated depreciation.....	(11,094,000)	(338,993,000)	(109,853,528)	(2,101,600)	(15,261,315)	(477,303,443)
<b>Total capital assets, net of depreciation...</b>	<b>18,456,000</b>	<b>549,124,000</b>	<b>160,643,398</b>	<b>1,564,897</b>	<b>18,325,092</b>	<b>748,113,387</b>
<b>Total assets.....</b>	<b>2,155,131,000</b>	<b>1,169,689,000</b>	<b>285,216,413</b>	<b>808,338,465</b>	<b>932,716,449</b>	<b>5,351,091,327</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued liabilities.....	7,084,000	55,780,000	13,214,172	1,610,512	3,090,109	80,778,793
Accrued interest payable.....	-	-	-	5,741,278	60,631	5,801,909
Bond interest payable.....	928,000	-	-	-	1,786,378	2,714,378
Unearned revenue.....	6,584,000	16,296,000	6,803,976	14,350	4,428,653	34,126,979
Other current liabilities.....	-	-	-	-	20,477,887	20,477,887
Current portion of long-term liabilities.....	329,847,000	7,541,000	4,433,894	130,025,706	156,271,616	628,119,216
Due to primary government.....	-	-	-	-	556,453	556,453
Escrowed cash deposits.....	-	-	-	1,649,481	199,619	1,849,100
Advances from primary government.....	-	-	-	-	1,142,663	1,142,663
<b>Total current liabilities.....</b>	<b>344,443,000</b>	<b>79,617,000</b>	<b>24,452,042</b>	<b>139,041,327</b>	<b>188,014,009</b>	<b>775,567,378</b>
<b>Noncurrent liabilities</b>						
Bonds, notes and leases payable.....	1,635,432,000	472,525,000	141,106,858	568,395,614	478,906,345	3,296,365,817
Accounts payable and accrued liabilities.....	-	15,011,000	34,568	-	-	15,045,568
Accrued arbitrage rebate.....	21,131,000	-	-	92,410	242,788	21,466,198
Other liabilities.....	-	90,929,000	42,590,340	15,536,370	5,404	149,061,114
<b>Total noncurrent liabilities.....</b>	<b>1,656,563,000</b>	<b>578,465,000</b>	<b>183,731,766</b>	<b>584,024,394</b>	<b>479,154,537</b>	<b>3,481,938,697</b>
<b>Total liabilities.....</b>	<b>2,001,006,000</b>	<b>658,082,000</b>	<b>208,183,808</b>	<b>723,065,721</b>	<b>667,168,546</b>	<b>4,257,506,075</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt.....	1,014,000	75,792,000	51,581,398	1,564,897	15,204,513	145,156,808
Restricted.....	112,168,000	378,143,000	19,325,558	81,136,627	216,257,815	807,031,000
Unrestricted.....	40,943,000	57,672,000	6,125,649	2,571,220	34,085,575	141,397,444
<b>Total net assets.....</b>	<b>\$ 154,125,000</b>	<b>\$ 511,607,000</b>	<b>\$ 77,032,605</b>	<b>\$ 85,272,744</b>	<b>\$ 265,547,903</b>	<b>\$ 1,093,585,252</b>

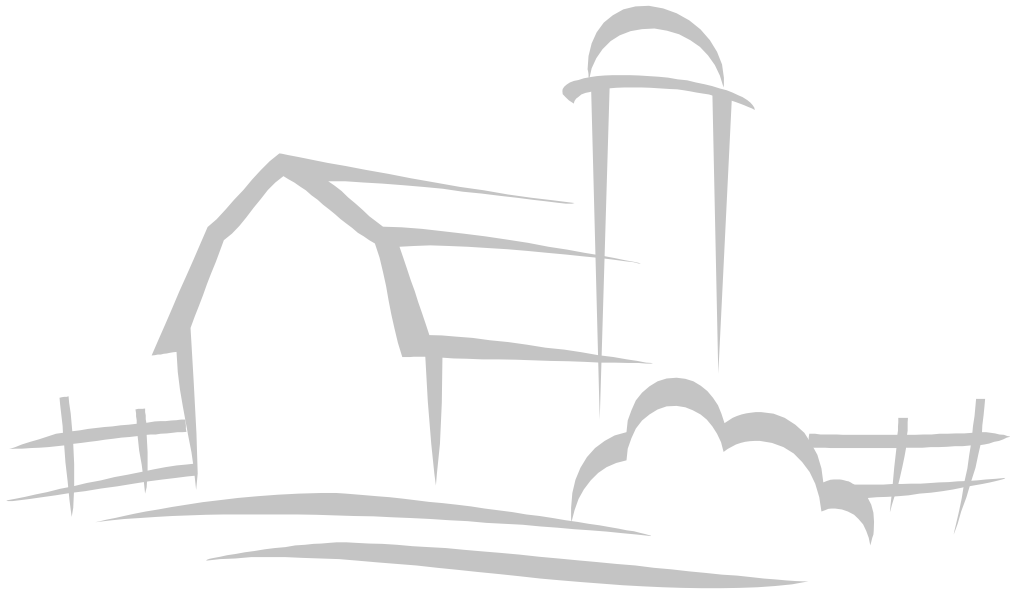
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Vermont Student Assistance Corporation</b>	<b>University of Vermont and State Agricultural College</b>	<b>Vermont State Colleges</b>	<b>Vermont Housing Finance Agency</b>	<b>Non-major Component Units</b>	<b>Total Component Units</b>
<b>Expenses</b>						
Salaries and benefits.....	\$ 25,064,000	\$ 376,467,000	\$ 115,766,911	\$ 3,153,177	\$ 18,593,103	\$ 539,044,191
Other expenses.....	43,889,000	166,916,000	46,487,629	4,609,154	48,609,103	310,510,886
Scholarship, grants and fellowships.....	25,053,000	17,070,000	8,714,124	-	-	50,837,124
Depreciation.....	1,349,000	28,070,000	7,792,090	114,138	1,117,729	38,442,957
Interest on debt.....	16,135,000	20,633,000	6,024,345	32,347,281	1,530,789	76,670,415
<b>Total expenses.....</b>	<b>111,490,000</b>	<b>609,156,000</b>	<b>184,785,099</b>	<b>40,223,750</b>	<b>69,850,724</b>	<b>1,015,505,573</b>
<b>Program Revenues</b>						
Charges for services.....	63,072,000	344,995,000	113,623,464	1,152,554	47,990,257	570,833,275
Operating grants and contributions.....	47,246,000	235,087,000	67,765,321	-	29,486,620	379,584,941
Capital grants and contributions.....	-	8,790,000	2,792,353	-	5,952,918	17,535,271
<b>Total program revenues.....</b>	<b>110,318,000</b>	<b>588,872,000</b>	<b>184,181,138</b>	<b>1,152,554</b>	<b>83,429,795</b>	<b>967,953,487</b>
<b>Net revenue (expense).....</b>	<b>(1,172,000)</b>	<b>(20,284,000)</b>	<b>(603,961)</b>	<b>(39,071,196)</b>	<b>13,579,071</b>	<b>(47,552,086)</b>
<b>General Revenues</b>						
Property transfer tax.....	-	-	-	-	6,101,662	6,101,662
Investment income.....	453,000	65,863,000	5,856,437	38,967,851	6,533,479	117,673,767
Additions to non-expendable endowments.....	-	-	547,550	-	-	547,550
Miscellaneous.....	17,101,000	-	-	437,750	830,086	18,368,836
<b>Total general revenues.....</b>	<b>17,554,000</b>	<b>65,863,000</b>	<b>6,403,987</b>	<b>39,405,601</b>	<b>13,465,227</b>	<b>142,691,815</b>
<b>Changes in net assets.....</b>	<b>16,382,000</b>	<b>45,579,000</b>	<b>5,800,026</b>	<b>334,405</b>	<b>27,044,298</b>	<b>95,139,729</b>
<b>Net assets - beginning.....</b>	<b>137,743,000</b>	<b>466,028,000</b>	<b>71,232,579</b>	<b>84,938,339</b>	<b>238,503,605</b>	<b>998,445,523</b>
<b>Net assets - ending.....</b>	<b>\$ 154,125,000</b>	<b>\$ 511,607,000</b>	<b>\$ 77,032,605</b>	<b>\$ 85,272,744</b>	<b>\$ 265,547,903</b>	<b>\$ 1,093,585,252</b>

The accompanying notes are an integral part of these financial statements.

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**State of Vermont**  
**Notes to the Financial Statements**  
**Fiscal Year Ended June 30, 2011**

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**STATE OF VERMONT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications.

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2011.

**A. Reporting Entity**

The basic financial statements include all funds of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State’s financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State’s financial statements to be misleading or incomplete. Their activity may be “blended” into the activity of the primary government or may be reported separately. If they are reported separately, they are called “discretely presented component units.” Each discretely presented Component Unit’s designation as either “major” or “non-major” has been determined by applying the criteria of GASB Statement No. 34, as amended by GASB Statement No. 61. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The “Discretely Presented Component Units” contained in the government-wide financial statements report the financial results of the following entities:

**Discretely Presented Major Component Units**

*Vermont Student Assistance Corporation (VSAC)* – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors and the State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

*University of Vermont (UVM)\** - The University of Vermont’s financial report includes both the University and the State Agricultural College. Currently, 36% of UVM’s budget comes from State and Federal appropriations, and private grants. Additional information may be obtained by contacting the university’s administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

*Vermont State College System (VSC)* – The Vermont State College System’s annual report includes the financial activity for the following organizations:

- System Offices and Services
- Community College of Vermont
- Castleton State College
- Johnson State College

Lyndon State College  
Vermont Technical College  
Vermont Interactive Television  
Allied Health Nursing Program  
Vermont Manufacturing Extension Center

The Governor, with the advice and consent of the Senate, appoints all 15 members of the board of directors. VSC also has a fiscal dependency on the State of Vermont. Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Stanley Hall, Park Street, P.O. Box 359, Waterbury, Vermont 05676.

*Vermont Housing Finance Agency (VHFA)* – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. VHFA is legally separate from the State. The State appoints the majority of the VHFA's board of commissioners. Further information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05402-0408.

#### Discretely Presented Non-major Component Units

*Vermont Economic Development Authority (VEDA)\** – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 12 voting members consisting of the secretary of the agency of commerce and community development, the State treasurer, the secretary of agriculture, food and markets, or a designee of any of the above; and nine members, who are residents of the State of Vermont and appointed by the governor with the advice and consent of the senate. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownsfield Revitalization Fund, and the Clean Energy Development Fund. These four funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Suite 5, Montpelier, Vermont 05602.

*Vermont Housing and Conservation Board (VHCB)* – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. The VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 State Street, Montpelier, Vermont 05602.

*Vermont Sustainable Jobs Fund, Inc. (VSJF)* – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). The Governor of the State of Vermont appoints the majority of the voting members of the Board. Additionally, the VSJF program works collaboratively with the agency of agriculture, food and markets to assist the Vermont slaughterhouse industry in supporting its efforts at productivity and sustainability. Audited financial statements and additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

*Vermont Municipal Bond Bank (VMBB)* – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized, with written consent of the Governor or the State Treasurer, to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited

financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 58 East State Street, Montpelier, Vermont 05601-0564.

*Vermont Educational and Health Buildings Financing Agency (VEHBFA)* – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational or health related entities. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees and fix their compensation, subject to approval of the governor. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 58 East State Street, Montpelier, Vermont 05601-0564.

*Vermont Center For Geographic Information (VCGI)* –VCGI is a public non-profit chartered by the State of Vermont to assist the Vermont GIS Community with creating a comprehensive strategy for the development and use of a geographic information system. VCGI is a legally separate entity which is fiscally dependent on the State as a significant portion of VCGI's funding comes from State grants. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

*Vermont Veterans' Home* – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home is financially accountable to the State, and is therefore included as a discretely presented component unit in Vermont's CAFR. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

*Vermont Rehabilitation Corporation* – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. The Vermont Rehabilitation Corporation is fiscally dependent on the State as its primary source of funding is from the Agency of Natural Resources. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4<sup>th</sup> Floor, Montpelier, Vermont 05609-6200.

*Vermont Film Corporation* – The Vermont Film Corporation is a non-profit public corporation, created pursuant to 10 V.S.A. 644-650, for the purpose of promoting the State as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions. The Vermont Film Corporation does not provide the majority of its services specifically to the State government, but, receives the majority of its funding from the State's Department of Tourism and Marketing and is therefore included as a discretely presented component unit. Additional information may be obtained by contacting the corporation at 10 Baldwin St., Drawer 33, Montpelier, Vermont 05633-2001.

*Vermont Telecommunications Authority* – The Vermont Telecommunications Authority was created in June 2007 pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the State have access to affordable broadband and mobile telecommunications services and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. The Vermont Telecommunications Authority is considered a component unit of the State as the State has the ability to impose its will on this legally separate entity. Additional information may be obtained by contacting the corporation at One National Life Drive, Montpelier, Vermont 05620-3205.

*Vermont Transportation Authority (VTA)* – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

\* - Indicates entity was audited by KPMG LLP.

#### Blended Component Unit

*Vermont Information Technology Leaders, Inc. (VITL)* – VITL is a legally separate non-profit public corporation whose vision is a health care system where health information is secure and readily available. VITL is a multi-stakeholder partnership facilitating participation in the process by providers, payers, employers, patients, and State agencies. VITL provides services almost entirely to the State of Vermont and therefore is reported as part of the primary government as a blended component unit. The financial statements for this component unit have been blended into the State's Special Fund. For further information, contact their administrative offices at 144 Main Street, Suite 1, Montpelier, Vermont 05602.

#### JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities of this organization have not been included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

#### JOINTLY-GOVERNED ORGANIZATIONS

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)  
New England Board of Higher Education (16 V.S.A. 2692)  
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)  
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

#### RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

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**EXCLUDED ORGANIZATIONS**

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities  
Vermont Council on the Arts  
Vermont Historical Society  
Vermont Public Power Supply Authority  
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)  
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

**B. Government-wide Financial Statements**

The State of Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

- (1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;
- (2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation.
- (3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

**C. Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are combined and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

*Governmental Fund Financial Statements* – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the "Receivables" section of this footnote.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

- a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
- b. Interest on general long-term debt is recognized when due to be paid.
- c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

*Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units* – The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State's enterprise funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

### **E. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds.

#### **GOVERNMENTAL FUNDS**

*General Fund* – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

*Special Revenue Funds* - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects, and include the following:

*Transportation Fund* – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

*Education Fund* – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

*Special Fund* – This fund is a major special revenue fund. It combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited to expenditures for specific purposes. These purposes cross the entire range of State government activities.

*Federal Revenue Fund* – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for human services, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, Transportation Fund or Fish and Wildlife Fund respectively).

*Global Commitment (to Health) Fund* – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. The original waiver agreement was amended on January 1, 2011, and will expire on December 31, 2013. This agreement caps Federal expenditures in Medicaid services, but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments of actuarially certified premiums from the Agency of Human Services to the managed care organization within the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General and Special Funds and as transfers in to the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

*Fish and Wildlife Fund* – This fund is a non-major special revenue fund. The fund's revenue is committed by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

*Capital Projects Funds* – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

*Debt Service Funds*—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

*Permanent Funds* – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

#### PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

*Enterprise Funds* – These nine funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user



charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

*Unemployment Compensation Trust Fund* – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

*Liquor Control Fund* – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

*Vermont Lottery Commission* – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission used to support public education and are transferred monthly to the Education Fund.

*Internal Service Funds* – These twenty-two separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

#### FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

*Pension and Other Postemployment Benefit Trust Funds* – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund and the Vermont Municipal Employees' Health Benefit Fund.

*Investment Trust Fund* – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2009, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

*Private Purpose Trust Fund* – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of \$100,000 or fifty percent of the amount received during the previous year, and the balance, after deduction for the Unclaimed Property Division's operating expenses, is transferred to the General Fund. Additionally, amounts which have been held by the Unclaimed Property Division for at least 10 years and which are less than \$100 are transferred to the Vermont Higher Education Endowment Fund (a permanent fund). It should be noted that any of the funds so transferred above will be returned to their rightful owners upon request at any time in the future.

*Agency Funds* – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social

security tax withholding, etc.

### CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension Trust Funds, Investment Trust Fund, Capital Projects Funds, and the Single Deposit Investment Account Fund, cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

### INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

### RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants and are reported net of allowance for uncollectible accounts. See Note 6—Accounts Receivable for further information.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 11 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

### INVENTORIES

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

### PREPAID EXPENSES

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

### CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Assets, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at estimated fair market value on the date donated to the State.

Capital assets, except as stated below, have an initial cost of at least \$5,000, and that provide a future economic benefit for more than 1 year. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least \$50,000 and provide future economic benefit for more than 1 year. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets. Software with a cost of at least \$150,000 and a useful life of more than one year is capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years, software is 3 to 10 years, and infrastructure assets are 6 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

### DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

### ACCOUNTS PAYABLE

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred prior to year-end, and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

### ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. Retainage payable consists of withheld portions of progress payment amounts made to contractors which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

### TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2011 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2011. The amount reported as tax refunds payable at June 30, 2011 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2011's tax liability as well as overpayments for calendar year 2010 and prior years' tax liabilities that have not been paid out as of June 30, 2011.

### ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2011, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net assets.

### ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end are reported within the restricted, committed, or assigned fund balances of the governmental funds.

The following shows encumbrances by governmental fund type at June 30, 2011:

General Fund	\$ 5,364,300
Transportation Fund	5,931
Special Fund	4,382,948
Federal Revenue Fund	21,677,226
Global Commitment Fund	3,190,997
Non-major Governmental Funds	<u>4,454,582</u>
Total Encumbrances	<u>\$ 39,075,984</u>

### FUND BALANCES

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54—"Fund Balance Reporting and Government Fund Type Definitions." Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed,

assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.
- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

The composition of the fund balances of the governmental funds for the fiscal year ended June 30, 2011 are shown on the following page.

## Governmental Funds Fund Balances

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable								
Advances	\$ 1,446,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,446,063
Long-term Notes Receivable	757,999	-	-	-	-	-	-	757,999
Permanent Fund Principal	-	-	-	-	-	-	7,416,453	7,416,453
Total Nonspendable	2,204,062	-	-	-	-	-	7,416,453	9,620,515
Restricted								
General Government	-	-	-	324,036	107,273	-	13,938,054	14,369,363
Protection to Persons and Property	-	-	-	325,528	15,084,885	-	3,745,534	19,155,947
Human Services	-	-	-	863,156	28,013,531	108,069,639	1,651,553	138,597,879
Labor	-	-	-	-	6,271,120	-	-	6,271,120
Education	-	-	-	-	1,511,745	-	358,212	1,869,957
Natural Resources	-	-	-	3,721,400	270,142,041	-	11,496,012	285,359,453
Commerce and Community Development	-	-	-	-	315,201	-	2,558	317,759
Transportation	-	-	-	-	-	-	602,378	602,378
Debt Service	-	-	-	-	-	-	1,986,575	1,986,575
Total Restricted	-	-	-	5,234,120	321,445,796	108,069,639	33,780,876	468,530,431
Committed								
General Government	-	-	-	4,491,347	-	-	-	4,491,347
Protection to Persons and Property	-	-	-	42,778,340	-	-	-	42,778,340
Human Services	60,165,194	-	-	15,081,940	-	-	-	75,247,134
Labor	-	-	-	870,625	-	-	-	870,625
Education	-	-	48,748,594	-	-	-	23,769,038	72,517,632
Natural Resources	-	-	-	14,557,283	-	-	6,021,068	20,578,351
Commerce and Community Development	-	-	-	1,775,106	-	-	-	1,775,106
Transportation	-	20,336,546	-	-	-	-	-	20,336,546
Debt Service	-	-	-	1,126	-	-	1,388,121	1,389,247
Total Committed	60,165,194	20,336,546	48,748,594	79,555,767	-	-	31,178,227	239,984,328
Assigned								
General Government	59,961	-	-	-	-	-	-	59,961
Protection to Persons and Property	598,201	-	-	251,731	-	-	-	849,932
Human Services	1,896,287	-	-	-	-	-	-	1,896,287
Education	3,870	-	-	-	-	-	-	3,870
Natural Resources	796,785	-	-	40,483	-	-	-	837,268
Commerce and Community Development	2,009,196	-	-	7,040	-	-	-	2,016,236
Transportation	-	-	-	23,695	-	-	-	23,695
Total Assigned	5,364,300	-	-	322,949	-	-	-	5,687,249
Unassigned	146,642,462	-	-	-	-	-	(1,331,668)	145,310,794
Total Fund Balance	\$ 214,376,018	\$ 20,336,546	\$ 48,748,594	\$ 85,112,836	\$ 321,445,796	\$ 108,069,639	\$ 71,043,888	\$ 869,133,317

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**COMPENSATED ABSENCES**

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide statement activity where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

**BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS**

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

**INTERFUND TRANSACTIONS**

*Interfund Loans* – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

*Reimbursements* – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

*Quasi-External Transactions* – These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

*Transfers* – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of

assets and liabilities that affect the disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

## **Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS**

### **A. Primary Government – Excluding All Pension Trust Funds**

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the ANR Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

#### **Deposits - Custodial Credit Risk**

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and uncollateralized; or collateralized with securities held by the pledging financial institution, its trust department or agent, that are not registered in the depositor -- government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension trust funds, as of June 30, 2011, (including certificates of deposits) were \$436,012,538. Of these, \$3,382,281 was exposed to custodial credit risk as uninsured and uncollateralized.

#### **Investments**

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value



when published market prices and quotations are available, or at amortized cost, which approximates fair value. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

*(a) Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2011 are presented below.

**Primary Government Investments - Excluding Pension and Investment Trust Funds**

*(Expressed in Thousands)*

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to <6	6 to 10	More Than 10
<u>Debt Investments</u>					
US Agencies/Treasuries.....	\$ 41,264	\$ 182	\$ 992	\$ 413	\$ 39,677
Money Market Mutual Fund.....	195,338	195,338	-	-	-
Other.....	341	36	152	79	74
Total Debt Investments.....	236,943	<u>\$ 195,556</u>	<u>\$ 1,144</u>	<u>\$ 492</u>	<u>\$ 39,751</u>
<u>Other Investments</u>					
Mutual Funds.....	3,435				
Equity Securities.....	21,170				
US Unemployment Trust Pool...	37,494				
Total.....	<u>\$ 299,042</u>				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

**Primary Government - Excluding Pension and Investment Trust Funds**

<b>Investments per maturity schedule.....</b>	\$ 299,042
<b>Included in cash &amp; cash equivalents:</b>	
Money market mutual fund.....	(194,037)
Certificates of deposit.....	12,433
US Treasury trust pool.....	(37,494)
<b>Financial statement investments total.....</b>	<b>\$ 79,944</b>
 Governmental activities total.....	 \$ 65,989
Business activities total.....	2,080
Fiduciary - State employees' OPEB trust fund.....	9,159
Fiduciary - private purpose trust fund.....	2,716
<b>Total.....</b>	<b>\$ 79,944</b>

*(b) Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2011, no single issuer exceeded 5% for the primary government portfolios.

*(c) Custodial Credit Risk*

For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2011 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

*(d) Credit Risk*

Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension fund investments, as of June 30, 2011, is presented as follows using the Moody's rating scale.

**Primary Government Rated Debt Investments  
Excluding Pension and Investment Trust Funds**  
(Expressed in Thousands)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>Aaa</u>	<u>Unrated</u>
US Agencies/Treasuries.....	\$ 41,264	\$ 41,264	\$ -
Money Market Mutual Fund.....	195,338	195,338	-
Other.....	341	-	341

*(d) Foreign Currency Risk*

Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2011, valued in US dollars, is \$121,950, consisting of Canadian Dollar investments.

**B. Primary Government – Pension Trust Funds and the Vermont Municipal Employees Health Benefit Fund**

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS)); three defined

contribution plans (VSRS, MERS, and Single Deposit Investment Account); and two other post employment benefit funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost- and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes. Effective May 31, 2006, legislation amended VPIC's authority allowing VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans.

On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the State, Teachers and Municipal defined benefit plans pursuant to a change in State statute permitting Vermont municipalities to pool their funds with the VPIC thereby creating an "external investment pool." An "external investment pool" is defined by GASB 31 as the commingling and investing of the monies of more than one legally separate entity, on the participants' behalf, in an investment portfolio. In this case, one of the participants, the City of Burlington, is not part of the State's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems.

The three defined benefit plans and the City of Burlington's assets managed by VPIC are externally managed in the pool established July 1, 2005 with a startup share price of \$1,000. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The pool's net assets and statement of changes in net assets are as follows.

## VERMONT PENSION INVESTMENT COMMITTEE

## INVESTMENT POOL

## STATEMENTS OF NET ASSETS

June 30, 2011

*(Expressed in Thousands)***Assets**

Cash and short term investments.....	\$ 24,936
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## Receivables

Interest and dividends.....	11,125
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Investments sold.....	48,677
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<b>Total receivables</b>	<u>59,802</u>
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## Investments at Fair Value

Fixed income.....	850,168
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Equities.....	801,332
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Mutual funds.....	1,208,210
-------------------	-----------

Real estate and venture capital.....	495,464
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Invested securities lending collateral.....	277,545
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<b>Total investments</b>	<u>3,632,719</u>
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<b>Total assets</b>	<u>3,717,457</u>
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**Liabilities**

Accounts payable.....	125
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Other liabilities.....	118
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Payable for investments purchased.....	37,349
--	--------

Securities lending obligations.....	277,545
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<b>Total liabilities</b>	<u>315,137</u>
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**Net assets held in trust for**

<b>investment pool participants</b>	<u>\$ 3,402,320</u>
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**VERMONT PENSION INVESTMENT COMMITTEE**  
**INVESTMENT POOL**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**June 30, 2011**  
*(Expressed in Thousands)*

**Additions**

Investment income	
Net appreciation in fair value of investments.....	\$ 506,008
Dividends.....	52,730
Interest income.....	41,155
Securities lending income.....	56
Other income.....	376
<b>Total investment gain.....</b>	<b>600,325</b>
<b>Total additions.....</b>	<b>600,325</b>

**Deductions**

Net pool participant withdrawals.....	74,901
Operating expenses.....	1,591
<b>Total deductions.....</b>	<b>76,492</b>

**Change in net assets.....** 523,833

**Net assets held in trust for pool participants**

<b>July 1, 2010.....</b>	<b>2,878,487</b>
<b>June 30, 2011.....</b>	<b>\$ 3,402,320</b>

**Pool participants**

Vermont State Retirement System.....	\$ 1,371,054
State Teacher's Retirement System.....	1,511,976
Vermont Municipal Employees' Retirement System.....	396,399
City of Burlington.....	122,891
<b>Totals - June 30, 2011.....</b>	<b>\$ 3,402,320</b>

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the VPIC. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in two intermediate term bond portfolios managed by two different investment managers. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

The State has two other post employment benefit funds, the Vermont State Post Employment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees health benefit Fund (Muni OPEB). These are described in Note 5. The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government as is its cash deposits. The "Muni OPEB" is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, ICMA-RC employing mutual funds. Disclosures related to its cash and investments are included below.

**Deposits - Custodial Credit Risk**

The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled \$11,635,104, none of which was exposed to custodial credit risk.

**Investments**

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2011 all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Real estate (including timber investments) is carried at the net asset value of each retirement system's real estate fund investment(s), which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

*(a) Interest Rate Risk – Investments*

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income investment managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. In the case of domestic Core Fixed Income managers the average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the appropriate passive benchmark's duration by more than +/- 25 percent. The Core Plus portfolio restriction is +/- two years around the passive benchmark duration. With respect to Global Fixed Income portfolios, current portfolio durations are restricted to a range of one to ten years. High yield fixed income portfolios prices and yields are not as directly correlated with the general level of interest rates and are duration monitored but not duration restricted. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity. Pension and Investment Trust Funds' Investments are as follows.

**Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds' Investments**  
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to <6	6 to 10	More than 10
Debt Investments					
US Agencies/Treasuries.....	\$ 213,565	\$ 10,387	\$ 17,480	\$ 65,027	\$ 120,671
Corporate Debt.....	339,470	28,498	125,485	150,053	35,434
Money Market Mutual Fund.....	26,082	26,082	-	-	-
Municipals.....	23,304	201	1,446	192	21,465
Asset Backed Securities.....	4,475	-	1,176	246	3,053
Mortgage Backed Securities.....	81,371	-	560	2,719	78,092
Sovereign Debt.....	189,314	9,575	97,316	49,294	33,129
Commercial Paper.....	9,182	9,182	-	-	-
Repurchase Agreements.....	4,145	4,145	-	-	-
Total Debt Investments.....	890,908	\$ 88,070	\$ 243,463	\$ 267,531	\$ 291,844
Other Investments					
Mutual Funds.....	1,380,906				
Equity Securities.....	801,332				
Real Estate - Venture Capital.....	473,338				
Fixed Income - Derivatives.....	(1,331)				
Total.....	\$3,545,153				

*(b) Concentration of Credit Risk*

Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2011, no issuer exceeded 5%.

*(c) Credit Risk of Debt Investments*

Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension Trust securities are as follows.

**Pension, Vermont Municipal Employees Health Benefit  
and Investment Trust Funds' Investments**  
(Expressed in Thousands)

<b>Debt Investments</b>	<b>Fair Value</b>	<b>Quality Ratings</b>		
		<b>Aaa</b>	<b>Aa</b>	<b>A</b>
US Agencies/Treasuries.....	\$ 213,565	\$ 213,565	\$ -	\$ -
Corporate Debt.....	339,470	20,522	32,972	43,346
Money Market Mutual Fund.....	26,082	-	-	-
Municipals.....	23,304	717	11,429	7,401
Asset Backed Securities.....	4,475	550	623	198
Mortgage Backed Securities.....	81,371	32,483	2,737	2,561
Sovereign Debt.....	189,314	97,478	34,321	35,735
Repurchase Agreements.....	4,145	4,145	-	-
Commercial Paper.....	9,182	-	-	6,500

*continued below*

<b>Debt Investments</b>	<b>Quality Ratings</b>			
	<b>Baa</b>	<b>Ba</b>	<b>B and below</b>	<b>Unrated</b>
US Agencies/Treasuries.....	\$ -	\$ -	\$ -	\$ -
Corporate Debt.....	47,361	53,202	121,334	20,733
Money Market Mutual Fund.....	-	-	-	26,082
Municipals.....	-	-	-	3,757
Asset Backed Securities.....	1,052	246	-	1,806
Mortgage Backed Securities.....	1,764	2,314	11,663	27,849
Sovereign Debt.....	6,521	4,573	-	10,686
Repurchase Agreements.....	-	-	-	-
Commercial Paper.....	-	-	-	2,682

*d) Foreign Currency Risk*

Unless VPIC stipulates specific exceptions to the guidelines, the global bond portfolio may hold no more than 30% of its assets, at market value, or 120% of each country's benchmark weight (whichever is greater) in the debt securities of any single foreign government or non-U.S. government entity. For the purposes of this calculation, all countries within the European Single Currency shall count as one country. Single non-government debt security limitations are also set for the global bond portfolio. In the case of equities, the investment manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relative to single holding limitations and a stock's weighting in the style benchmark against which the manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows.



**Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds' Investments**  
**Foreign Currency Risk - International Securities at Fair Value**  
*(Expressed in Thousands)*

<u>Currency</u>	<u>Total</u>	<u>Short Term</u>	<u>Debt</u>	<u>Equity</u>
Australian Dollar.....	\$ 36,044	\$ -	\$ 14,288	\$ 21,756
Brazilian Real.....	1,108	-	1,108	-
Canadian Dollar.....	34,056	4,212	25,498	4,346
Danish Krone.....	2,389	9	-	2,380
Euro Currency.....	172,085	590	53,131	118,364
Hong Kong Dollar.....	4,098	83	-	4,015
Hungarian Forint.....	3,609	-	3,609	-
Indonesian Rupiah.....	4,573	-	4,573	-
Israeli Shekel.....	124	-	-	124
Japanese Yen.....	106,632	742	33,799	72,091
Malaysian Ringgit.....	6,584	22	6,377	185
Mexican Peso.....	11,206	412	10,617	177
New Taiwan Dollar.....	2,644	-	-	2,644
New Zealand Dollar.....	5,910	10	5,274	626
Norwegian Krone.....	7,937	135	5,804	1,998
Pakistan Rupee.....	234	3	-	231
Philippine Peso.....	151	2	-	149
Polish Zloty.....	18,831	-	16,579	2,252
Pound Sterling.....	66,086	213	11,878	53,995
Singapore Dollar.....	14,571	319	-	14,252
South African Rand.....	4,189	-	4,147	42
South Korean Won.....	6,252	-	6,252	-
Swedish Krona.....	3,238	-	-	3,238
Swiss Franc.....	16,159	11	-	16,148
Thailand Baht.....	1	-	-	1
Turkish Lira.....	1	1	-	-
<b>Total.....</b>	<b>\$ 528,712</b>	<b>\$ 6,764</b>	<b>\$ 202,934</b>	<b>\$ 319,014</b>

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The Managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income Managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

### **Securities Lending Transactions**

State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State

Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of the State, certain securities held by State Street as custodian, and received United States and foreign currency cash, or securities issued or guaranteed by the United States government as collateral. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to provide a form of indemnification to the State in the event of default by a borrower. On June 30, 2011 Vermont had no credit risk exposure to borrowers.

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2011, the liquidity pool had an average duration of 31.67 days and an average weighted final maturity of 61.80 days for United States Dollar (USD) collateral. As of this date, the duration pool had an average duration of 35.97 days and an average weighted final maturity of 484.43 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with cash collateral. The market value of collateral held and the market values of securities on loan for Vermont as of June 30, 2011 were \$278,100,885 and \$272,832,271, respectively.

The defined benefit pension trust funds report securities lent (the underlying securities) as assets on the Statement of Plan Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is recorded as the defined benefit pension trust funds must return the cash collateral to the borrower upon expiration of the loan. Security lending transactions in the VPIC pooled fund are allocated to the participating funds based on a pro rata share determined based on their equity in the pooled investments participating in the lending program. Since State Street, acting on behalf of the State, did not have the ability to pledge or sell collateral securities absent a borrower default, these securities are not recorded as an asset with a corresponding liability on the financial statements. The cash collateral of \$201,596,599 in the liquidity pool and \$75,948,372 in the duration pool is invested in the State Street Quality D Short-term Investment Fund, all in USD currency. The fund is not rated by a Nationally Recognized Statistical Rating Organization. The investments purchased with cash collateral are held by the custodial agent, but not in the name of the fund. The market value of the invested collateral is \$201,590,398 in the liquidity pool and \$74,181,686 in the duration pool as of June 30, 2011.

Authority to enter into securities lending transactions for the 3 retirement plans is as follows:

3 V.S.A. 471(m) Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

### **C. Derivative Financial Instruments**

The State does not have any derivatives associated with issuance of debt. Certain investment managers (Managers) for the Vermont Pension Investment Committee (VPIC) invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – "Accounting and Financial Reporting for Derivative Instruments" (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust and not those held within commingled fund investment vehicles. The Pension Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. The fair value of all derivative financial instruments are reported in the Statement of Fiduciary Net Assets. All of the derivatives reported at June 30, 2011, are at fair market value.

Derivative instruments may be used for any of the following purposes;

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC's investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC's investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivatives positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are CFTC approved and exchange-traded. Options may either be exchange-traded or traded over-the-counter (OTC).

*Futures* represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Assets. The net gain for the year was \$456,377. At June 30, 2011 and 2010, the VPIC's investments had the following values:

Investment Derivatives	June 30, 2011		June 30, 2010	
	Fair value	Notional	Fair value	Notional
Fixed Income Futures:				
Long.....	\$ -	\$ 207,150,000	\$ -	\$ -
Short.....	-	-	-	(1,400,000)

*Currency forwards* represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the

closing of such contracts is included in the net realized gains or losses on foreign currency related transactions in the Statement of Changes in Fiduciary Net Assets. The net loss for the year was \$3,785,154. At June 30, 2011 and 2010, the VPIC's investments included the following currency forwards balances:

Investment Derivatives	June 30, 2011		June 30, 2010	
	Fair value	Notional	Fair value	Notional
FX Forwards	\$ (1,168,389)	\$ 112,059,204	\$ 2,517,225	\$ 82,398,757

Only forward currency contracts are defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included.

Risk of loss arises from changes in currency exchange rates. Below is a listing of currency forward positions as of June 30, 2011, and the associated currencies.

Transaction Type	Base Current Value	Open Buy Equivalent Value	Open Sell Equivalent Value	Currency	Unrealized Gain/Loss
<b>Cross deals between two foreign currencies</b>					
	\$ 6,481,138	\$ 6,617,022	\$ 6,617,022	Sold EUR/Bought GBP	\$ (135,884)
			<b>Sub-Total.....</b>		<b>\$ (135,884)</b>
<b>Pending foreign exchange purchases</b>					
	2,567,174	2,567,025	2,567,025	Bought CNY/Sold USD	149
	5,147,175	4,634,384	4,634,384	Bought BRL/Sold USD	512,791
	118,176	117,780	117,780	Bought CNY/Sold USD	396
	236,769	222,621	222,621	Bought BRL/Sold USD	14,148
	2,767,234	2,751,824	2,751,824	Bought SGD/Sold USD	15,410
	2,836,428	2,857,434	2,857,434	Bought CNY/Sold USD	(21,006)
	5,586,659	5,825,923	5,825,923	Bought TRY/Sold USD	(239,264)
	13,639,866	13,885,721	13,885,721	Bought GBP/Sold USD	(245,855)
	1,382,465	1,360,063	1,360,063	Bought BRL/Sold USD	22,402
	784,383	799,397	799,397	Bought GBP/Sold USD	(15,014)
			<b>Sub-Total.....</b>		<b>44,157</b>
<b>Pending foreign exchange sales</b>					
	13,037,234	13,536,936	13,536,936	Sold AUD/Bought USD	(499,702)
	2,380,052	2,458,521	2,458,521	Sold BRL/Bought USD	(78,469)
	2,636,344	2,741,649	2,741,649	Sold BRL/Bought USD	(105,305)
	2,766,483	2,753,162	2,753,162	Sold CAD/Bought USD	13,321
	4,806,775	4,873,299	4,873,299	Sold NZD/Bought USD	(66,524)
	2,322,410	2,268,983	2,268,983	Sold GBP/Bought USD	53,427
	1,733,767	1,700,324	1,700,324	Sold GBP/Bought USD	33,443
	1,542,611	1,513,300	1,513,300	Sold GBP/Bought USD	29,311
	5,512,541	5,539,682	5,539,682	Sold EUR/Bought USD	(27,141)
	1,328,809	1,351,442	1,351,442	Sold BRL/Bought USD	(22,633)
	855,105	835,785	835,785	Sold GBP/Bought USD	19,320
	7,406,309	7,548,281	7,548,281	Sold CAD/Bought USD	(141,972)
	7,391,565	7,541,426	7,541,426	Sold CAD/Bought USD	(149,861)
	4,016,106	4,080,325	4,080,325	Sold CAD/Bought USD	(64,219)
	1,308,045	1,345,255	1,345,255	Sold BRL/Bought USD	(37,210)
	7,369,241	7,400,049	7,400,049	Sold AUD/Bought USD	(30,808)
	2,716,528	2,715,938	2,715,938	Sold CHF/Bought USD	590
	77,539	79,769	79,769	Sold NZD/Bought USD	(2,230)
			<b>Sub-Total.....</b>		<b>(1,076,662)</b>
			<b>Total.....</b>		<b>\$ (1,168,389)</b>

*Options* represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The net gain for the year was \$1,513,431. At June 30, 2011 and 2010, the VPIC's investments had the following option balances:

Investment Derivatives	June 30, 2011		June 30, 2010	
	Fair value	Notional	Fair value	Notional
Fixed Income Options:				
Written.....	\$ (1,258,241)	\$ (170,100,000)	\$ (540,910)	\$ (77,900,000)

*Swaps* represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2011, the VPIC had two different types of swap arrangements; interest rate swaps and total return swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. The net loss for the year was \$,437,510. At June 30, 2011 and 2010, the VPIC's investments had the following swap market value balances:

Investment Derivatives	June 30, 2011		June 30, 2010	
	Fair value	Notional	Fair value	Notional
Interest rate swaps	\$ (73,103)	\$ 24,600,000	\$ 101,042	\$ 20,600,000

The following interest rate swaps are in place as of June 30, 2011.

Asset ID	Asset Description	Fair Value at June 30, 2011		Notional
SWU058971	SWU058971 IRS BRL R F 11.57000 / SWU058971 IRS BRL P V 00MCETIP	\$	122,225	\$ 10,300,000
SWU0A0PQ2	SWU0APQ2 IRS BRL R F 11.49000 / SWUOA0PQ2 IRS BRL P V 00MBRCDI		(15,202)	8,300,000
SWU0338Q3	SWU0338Q3 IRS USD R V 03MLIBOR / SWU0338Q3 IRS USD P F 4.25000		(73,788)	2,300,000
SWU0372Q0	SWU0372Q0 IRS USD R V 03MLIBOR / SWU0372Q0 IRS USD P F 4.25000		(80,205)	2,500,000
SWU0498Q9	SWU0498Q9 IRS USD R V 03MLIBOR / SWU0498Q9 IRS USD P F 3.50000		(26,133)	1,200,000

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of “A3” as defined by Moody’s Investor Service, “A-” by Standard & Poor’s, and “A-” by Fitch. The use of counter-parties holding a split rating with one of the ratings below A3/A- is prohibited. The use of unrated counter-parties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derived exposure. An exception is allowed if the total commodity derivative exposure is less than \$3 million. Any entity acting as counter-party must be regulated in either the United States or the United Kingdom.

The following shows the market value of credit exposure per Moody’s ratings at June 30, 2011.

<b>Moody's Rating</b>	<b>Market Value</b>
Aa3	\$ 714,118
A1	122,815
Total	<u>\$ 836,933</u>

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker’s/dealer’s reputation for sound management, the past experience of the manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2011, risk concentrations are as follows.

<b>Counterparty Name</b>	<b>Percentage of Net Exposure</b>	<b>S&amp;P Rating</b>	<b>Fitch Rating</b>	<b>Moody's Rating</b>
HSBC BANKUSA	80%	AA	AA	Aa3
GOLDMAN SACHS & CO	15%	A	A+	A1
BARCLAYS CAPITAL	3%	AA-	AA-	Aa3
UBS AG	2%	A+	A+	Aa3
STATE STREET BANK LONDON	0%	A+	A+	A1

VPIC’s Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party’s exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC’s exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from \$0 to \$250 thousand per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Managers use industry standardized contracts, generally known as “master agreements” or “netting agreements,” counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (ISDA Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow parties to a transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts.

<b>Maximum Loss Before and After Netting and Collateral</b>	
Maximum amount of loss VPIC would face in case of default of all counterparties	
i.e. aggregated (positive) fair value of OTC positions as of June 30, 2011.....	\$ 836,933
Effect of collateral reducing maximum exposure.....	-
Liabilities subject to netting arrangements reducing exposure.....	-
<b>Resulting net exposure.....</b>	<b>\$ 836,933</b>

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered or the counterparty is provided the right to terminate the agreement early.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer through a "pass-through" arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of prepayment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

### **Note 3: INTERFUND BALANCES**

#### **A. Due From/To Other Funds**

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2011, are as follows.

Due From Other Funds	Due to Other Funds			
	Governmental Funds			
	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	\$ -	\$ 7,042	\$ -	\$ 23,926
Transportation Fund	12	-	-	4,101
Education Fund	-	-	-	-
Special Fund	231,537	55,000	10,195	-
Federal Revenue Fund	101,986	-	-	228,854
Global Commitment Fund	11,824,262	-	-	22,212,776
Non-major Governmental Funds	-	-	-	6,622
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	-	-	-	8,294
Fiduciary Funds	376,253	-	-	-
<b>Total</b>	<b>\$ 12,534,050</b>	<b>\$ 62,042</b>	<b>\$ 10,195</b>	<b>\$ 22,484,573</b>

*continued below*

Due From Other Funds	Due to Other Funds			
	Governmental Funds			
	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds
General Fund	\$ 19,343	\$ 34,195	\$ 48	\$ -
Transportation Fund	119,536	-	-	57,420
Education Fund	-	-	-	-
Special Fund	535,084	-	66,957	1,037,905
Federal Revenue Fund	-	-	-	-
Global Commitment Fund	293,509	-	-	-
Non-major Governmental Funds	-	-	-	2,576
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	-	-	195
Internal Service Funds	-	-	-	-
Fiduciary Funds	-	-	-	-
<b>Total</b>	<b>\$ 967,472</b>	<b>\$ 34,195</b>	<b>\$ 67,005</b>	<b>\$ 1,098,096</b>

*continued below*

Due From Other Funds	Due to Other Funds			
	Enterprise Funds			
	Unemployment Compensation Trust Fund	Liquor Control Fund	Non-major Enterprise Funds	Total
General Fund	\$ -	\$ 717,738	\$ -	\$ 802,292
Transportation Fund	-	-	-	181,069
Education Fund	-	-	-	-
Special Fund	-	-	-	1,936,678
Federal Revenue Fund	-	-	-	330,840
Global Commitment Fund	-	-	-	34,330,547
Non-major Governmental Funds	-	-	-	9,198
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	112,800	-	-	112,995
Internal Service Funds	-	-	702	8,996
Fiduciary Funds	-	-	-	376,253
<b>Total</b>	<b>\$ 112,800</b>	<b>\$ 717,738</b>	<b>\$ 702</b>	<b>\$ 38,088,868</b>



**B. Advances To/From Other Funds**

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2011, are summarized below.

<b>Proprietary Funds</b>		
Vermont Lottery Fund	\$	300,000
Liquor Control Fund		500
Non-major Proprietary Funds		<u>2,900</u>
<b>Total</b>	<b>\$</b>	<b><u>303,400</u></b>

**C. Interfund Receivables/Payables**

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2011, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

<b>Proprietary Funds</b>		
Non-major Enterprise Funds	\$	1,972,601
Internal Service Funds		36,756,237
<b>Fiduciary Funds</b>		
Pension Trust Funds		14,670
Investment Trust Fund		118,450
Agency Funds		<u>203,758</u>
<b>Total</b>	<b>\$</b>	<b><u>39,065,716</u></b>

**D. Inter - Primary Government/Component Unit Balances**

*Advances to component units* consist of the amounts advanced under various agreements with component units to use the funds for specific programs. As the component unit uses the funds, the advance is reduced and expenditures are recognized by the State. At June 30, 2011, the General Fund advances to component units was \$1,142,663 advanced to the Vermont Development Authority for interest rate subsidies and grants to be issued at the direction of State agencies.

*Due from component units/Due to primary government* consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2011, these account balances are as follows.

	<u>Due to Primary Government/(Component Units)</u>			<u>Total</u>
	<u>Vermont Housing &amp; Conservation Board</u>	<u>Vermont Economic Development Authority</u>	<u>Vermont Veterans Home</u>	
<b>Due from Component Units</b>				
General Fund	\$ 2,949,534	\$ -	\$ -	\$ 2,949,534
Special Fund	-	62,827	-	62,827
Federal Fund	-	-	493,626	493,626
<b>Due from Primary Government</b>				
Non-major Governmental Funds	(6,226,393)	-	-	(6,226,393)
<b>Total</b>	<u>\$ (3,276,859)</u>	<u>\$ 62,827</u>	<u>\$ 493,626</u>	<u>\$ (2,720,406)</u>

### **E. Interfund Transfers**

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education. The Special Fund received transfers from the General Fund for the Next Generation Initiative, from the Federal Revenue Fund for the weatherization assistance program, and from the Global Commitment Fund for education Medicaid reimbursements. The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver.

Interfund transfers for the fiscal year ending June 30, 2011, are on the following page.

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Transfers in	Transfers Out				
	Governmental Funds				
	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
General Fund	\$ -	\$ -	\$ 32,043,755	\$ 6,196,734	\$ -
Education Fund	234,737,570	-	-	-	-
Special Fund	5,461,737	1,485,519	-	20,908,180	23,570,491
Federal Revenue Fund	-	-	-	-	-
Global Commitment Fund	82,607,557	-	258,468,517	-	-
Non-major Governmental Funds	76,804,621	5,887,831	1,160,843	667,564	-
Unemployment Compensation Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	250,000	-	-	-	-
Internal Service Funds	300,000	1,120,000	599,909	-	-
<b>Total</b>	<b>\$ 400,161,485</b>	<b>\$ 8,493,350</b>	<b>\$ 292,273,024</b>	<b>\$ 27,772,478</b>	<b>\$ 23,570,491</b>

continued below

Transfers in	Transfers Out			
	Governmental Funds	Proprietary Funds		
	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
General Fund	\$ -	\$ -	\$ 840,066	\$ -
Education Fund	-	-	-	21,435,868
Special Fund	2,000,000	-	-	-
Federal Revenue Fund	3,866,297	-	-	-
Global Commitment Fund	-	-	-	-
Non-major Governmental Funds	-	-	-	-
Unemployment Compensation Trust Fund	-	-	-	-
Non-major Enterprise Funds	-	641,253	-	-
Internal Service Funds	-	-	-	-
<b>Total</b>	<b>\$ 5,866,297</b>	<b>\$ 641,253</b>	<b>\$ 840,066</b>	<b>\$ 21,435,868</b>

continued below

Transfers in	Transfers Out			
	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ -	\$ 790,172	\$ 3,706,242	\$ 43,576,969
Education Fund	-	-	-	256,173,438
Special Fund	-	1,026,225	-	54,452,152
Federal Revenue Fund	-	-	-	3,866,297
Global Commitment Fund	-	-	-	341,076,074
Non-major Governmental Funds	-	-	30,026	84,550,885
Unemployment Compensation Trust Fund	389,478	-	-	389,478
Non-major Enterprise Funds	-	-	-	891,253
Internal Service Funds	-	-	-	2,019,909
<b>Total</b>	<b>\$ 389,478</b>	<b>\$ 1,816,397</b>	<b>\$ 3,736,268</b>	<b>\$ 786,996,455</b>

**Note 4: CAPITAL ASSETS**

Capital assets activities for the fiscal year ended June 30, 2011, were as follows:

**Primary Government**

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications &amp; Donations</b>	<b>Ending Balance</b>
Capital assets, not being depreciated					
Land, land use rights, and land improvements	\$ 108,124,674	\$ 6,015,888	\$ -	\$ -	\$ 114,140,562
Construction in process	396,092,246	261,953,743	(217,436,628)	(1,075,888)	439,533,473
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	504,352,923	267,969,631	(217,436,628)	(1,075,888)	553,810,038
Capital assets, being depreciated					
Buildings and improvements	400,361,347	38,959,661	(6,548,812)	6,845	432,779,041
Machinery and equipment	153,685,818	19,841,193	(9,808,021)	(13,545)	163,705,445
Infrastructure	1,535,720,452	169,572,995	(19,247,263)	6,700	1,686,052,884
Total capital assets, being depreciated	2,089,767,617	228,373,849	(35,604,096)	-	2,282,537,370
Less accumulated depreciation for					
Buildings and improvements	(178,071,216)	(12,847,280)	3,784,803	(12,513)	(187,146,206)
Machinery and equipment	(103,924,309)	(14,538,809)	8,882,900	13,546	(109,566,672)
Infrastructure	(657,164,386)	(64,661,050)	19,247,263	(1,033)	(702,579,206)
Total accumulated depreciation	(939,159,911)	(92,047,139)	31,914,966	-	(999,292,084)
Capital assets, being depreciated, net	1,150,607,706	136,326,710	(3,689,130)	-	1,283,245,286
Governmental activities capital assets, net	<u>\$ 1,654,960,629</u>	<u>\$ 404,296,341</u>	<u>\$ (221,125,758)</u>	<u>\$ (1,075,888)</u>	<u>\$ 1,837,055,324</u>
<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications &amp; Donations</b>	<b>Ending Balance</b>
Capital assets, being depreciated					
Buildings and improvements	\$ 59,935	\$ -	\$ -	\$ -	\$ 59,935
Machinery and equipment	2,018,063	231,851	(129,916)	-	2,119,998
Total capital assets, being depreciated	2,077,998	231,851	(129,916)	-	2,179,933
Less accumulated depreciation for					
Buildings and improvements	(30,918)	(6,294)	-	-	(37,212)
Machinery and equipment	(1,102,884)	(312,849)	129,916	-	(1,285,817)
Total accumulated depreciation	(1,133,802)	(319,143)	129,916	-	(1,323,029)
Capital assets, being depreciated, net	944,196	(87,292)	-	-	856,904
Business-type activities capital assets, net	<u>\$ 944,196</u>	<u>\$ (87,292)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,904</u>

<u>Fiduciary Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications &amp; Donations</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Construction in process	\$ 2,828,753	\$ 573,806	\$ (120,554)	\$ (209,635)	\$ 3,072,370
Total capital assets, not being depreciated	2,828,753	573,806	(120,554)	(209,635)	3,072,370
Capital assets, being depreciated					
Machinery and equipment	2,068,633	120,554	-	-	2,189,187
Total capital assets, being depreciated	2,068,633	120,554	-	-	2,189,187
Less accumulated depreciation for					
Machinery and equipment	(328,712)	(261,185)	-	-	(589,897)
Total accumulated depreciation	(328,712)	(261,185)	-	-	(589,897)
Capital assets, being depreciated, net	1,739,921	(140,631)	-	-	1,599,290
Fiduciary activities capital assets, net	\$ 4,568,674	\$ 433,175	\$ (120,554)	\$ (209,635)	\$ 4,671,660

Current period depreciation expense was charged to functions of the Primary Government as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 10,688,671	Liquor Control	\$ 302,700
Protection to Persons and Property	4,716,465	Vermont Lottery Commission	14,910
Human Services	819,817	Vermont Life Magazine	1,533
Labor	21,629		
General Education	28,091	<b>Total</b>	<b>\$ 319,143</b>
Natural Resources	2,401,823		
Commerce & Community Development	289,283		
Transportation	65,590,356	<u>Fiduciary Activities</u>	
Depreciation on capital assets held by		Pension	\$ 261,185
Internal Service Funds	7,491,004		
<b>Total</b>	<b>\$ 92,047,139</b>	<b>Total</b>	<b>\$ 261,185</b>

## Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and two defined contribution plans. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

### Summary of significant accounting policies – basis of accounting and valuation of investments

The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2011. Securities without an establish market are reported at estimated fair value.

### A. Defined Benefit Retirement Plans

#### Retirement Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police,

except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 6.4% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters (Group C), with a contribution rate of 8.28% of payroll;
- judges (Group D), with a contribution rate of 6.4% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 6.4% of payroll.

Effective July 1, 2011, the contribution rate for all State employees was raised, through legislation enacted in fiscal year 2011. The rate for Group A and D employees was increased from 5.10% to 6.40% through June 30, 2016. The rate for Group C employees was increased from 6.98% to 8.28% through June 30, 2016. The rate for Group F employees was increased from 5.10% to 6.40% through June 30, 2016, and will be 4.85% after that.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 5.0% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could have elected to transfer their memberships from a contributory to a non-contributory membership class. However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Effective July 1, 1987, and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information

describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the two defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The defined benefit plans' financial statement are as follows.

**Statement of Plan Net Assets**  
**Defined Benefit Plans**  
**June 30, 2011**

	<b>Vermont State Retirement Fund</b>	<b>State Teachers' Retirement Fund</b>	<b>Vermont Municipal Employees' Retirement Fund</b>
<b>Assets</b>			
Cash and short term investments.....	\$ 5,921,353	\$ 4,770,355	\$ -
Receivables			
Contributions - current.....	3,015,175	3,886,857	3,111,748
Contributions - non-current.....	-	-	6,805,308
Interest and dividends.....	73,615	78,462	318,425
Due from other funds.....	49,266	-	54,860
Other.....	41,736	984,873	94,496
Investments at Fair Value			
Pooled investments.....	1,371,053,907	1,511,976,479	396,399,355
Real estate and venture capital.....	965,098	-	-
Invested securities lending collateral.....	114,251,887	119,671,351	33,476,052
Prepaid expenses.....	-	-	10,857
Capital assets, net of depreciation.....	1,831,103	2,162,537	677,807
<b>Total assets.....</b>	<b>1,497,203,140</b>	<b>1,643,530,914</b>	<b>440,948,908</b>
<b>Liabilities</b>			
Accounts payable.....	2,122,507	2,821,846	446,453
Retainage payable.....	222,012	270,784	110,177
Interfund payable.....	-	-	14,670
Securities lending obligations.....	114,251,887	119,671,352	33,476,052
<b>Total liabilities.....</b>	<b>116,596,406</b>	<b>122,763,982</b>	<b>34,047,352</b>
<b>Net assets held in trust for employees' pension benefits.....</b>	<b>\$ 1,380,606,734</b>	<b>\$ 1,520,766,932</b>	<b>\$ 406,901,556</b>

**Statement of Changes in Plan Net Assets**  
**Defined Benefit Plans**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Vermont State Retirement Fund</b>	<b>State Teachers' Retirement Fund</b>	<b>Vermont Municipal Employees' Retirement Fund</b>
<b>Additions</b>			
Contributions			
Employer - pension benefit.....	\$ 37,572,599	\$ 33,134,361	\$ 11,117,363
Employer - healthcare benefit.....	-	14,000,000	-
Plan member.....	22,269,041	32,062,253	11,702,728
Transfers from other pension trust funds.....	743,172	208,107	266,425
Medicare part D drug subsidy.....	-	1,381,587	-
Early retiree reinsurance program.....	-	1,752,183	-
<b>Total contributions.....</b>	<b>60,584,812</b>	<b>82,538,491</b>	<b>23,086,516</b>
Investment Income			
Net appreciation in fair value of investments.....	485,001	5,561	72,012
Income from pooled investments.....	242,615,086	267,153,775	67,837,569
Interest income.....	18,765	23,927	440,086
Securities lending income.....	649,947	691,815	182,943
Other income.....	294,521	322,380	25,562
<b>Total investment income.....</b>	<b>244,063,320</b>	<b>268,197,458</b>	<b>68,558,172</b>
Less Investment Expenses			
Investment managers and consultants.....	5,516,418	6,141,125	1,555,401
Securities lending expenses.....	160,519	170,022	44,990
<b>Total investment expenses.....</b>	<b>5,676,937</b>	<b>6,311,147</b>	<b>1,600,391</b>
<b>Net investment income.....</b>	<b>238,386,383</b>	<b>261,886,311</b>	<b>66,957,781</b>
<b>Total additions.....</b>	<b>298,971,195</b>	<b>344,424,802</b>	<b>90,044,297</b>
<b>Deductions</b>			
Retirement benefits.....	84,716,513	106,930,467	12,298,902
Other post employment benefits.....	-	18,749,675	-
Refunds of contributions.....	1,731,375	1,218,955	1,275,978
Death claims.....	328,623	303,237	132,570
Transfers to other pension trust funds.....	285,276	305,854	754,139
Depreciation.....	97,845	115,811	47,324
Operating expenses.....	1,049,731	1,283,921	522,279
<b>Total deductions.....</b>	<b>88,209,363</b>	<b>128,907,920</b>	<b>15,031,192</b>
<b>Change in net assets.....</b>	<b>210,761,832</b>	<b>215,516,882</b>	<b>75,013,105</b>
<b>Net assets held in trust for employees' pension benefits</b>			
July 1, 2010.....	1,169,844,902	1,305,250,050	331,888,451
<b>June 30, 2011.....</b>	<b>\$ 1,380,606,734</b>	<b>\$ 1,520,766,932</b>	<b>\$ 406,901,556</b>



**Plan membership**

At June 30, 2011, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Active employees			
Vested	5,693	7,780	3,838
Non-vested	<u>2,075</u>	<u>2,343</u>	<u>2,637</u>
Total active employees	<u>7,768</u>	<u>10,123</u>	<u>6,475</u>
Retirees and beneficiaries of deceased retirees currently receiving benefits	5,375	7,005	1,779
Terminated employees entitled to benefits but not yet receiving them (vested)	774	647	645
Inactive members	<u>849</u>	<u>2,675</u>	<u>1,821</u>
Total participants	<u>14,766</u>	<u>20,450</u>	<u>10,720</u>

**Actuarial Valuation- Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the "freezing" of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the ARC. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

At the same time there has been significant discussion on the national level relative to the appropriate interest rate assumptions used by public pension plans. The Vermont retirement systems, in concert with its investment and actuarial consultants, determined that rather than dealing with the interest rate as an isolated calculation, it should be viewed as part of an interrelated set of actuarial assumptions through a formal experience study and accelerated the schedule and completed these studies in fiscal year 2011 for the four year period ending June 30, 2010 (prior studies were completed in 2006 for the state system, 2007 for the teacher system and 2008 for the municipal system).

All three systems adopted a new method of developing interest rate assumptions called "select-and-ultimate". Under this method, differences between near-term and long-term expectations of rates of return on assets may be incorporated in the assumed rate of return by setting it on a select-and-ultimate basis. The most recent asset allocation established by the Vermont Pension Investment Committee (VPIC) was the basis of the data inputs into the model.

A select-and-ultimate rate structure can be used to reflect expectations of unusually strong or weak returns in near-term years followed by a trending to a long-term equilibrium. In this sense, it is a more elaborate and complete specification of future return assumptions than is a single rate used in all future years. All three systems adopted a uniform interest rate assumption based on the application of this model:

• Year 1:	6.25%
• Year 2:	6.75%
• Year 3:	7.00%
• Year 4:	7.50%
• Year 5:	7.75%
• Year 6 through year 8:	8.25%
• Year 9: through year 16:	8.50%
• Year 17 and later:	9.00%

Over a 20-year period, the 50th percentile rate of return forecast for such a portfolio is approximately 7.9%. Since the cash flows associated with each system varies, however, for computational or administrative ease, it is preferable to set the assumed interest rate equal to the single rate that produces the same result as the select-and-ultimate rate set. The effective rate, based on assumed cash flows, for the state and municipal systems is 8.1% and 7.9% for STRS. These changes, reflecting a more conservative approach to actuarial assumptions have had the effect of shifting costs upward.

The recent experience for STRS updated the mortality assumptions for service retirees and beneficiaries to the RP-2000 Mortality Tables for Employees and Healthy Annuitants projected with Scale AA to 2010 (The unadjusted RP-2000 Mortality Tables for Employees and Healthy Annuitants were used for these participants in the prior valuation). The VSRS experience study also incorporated a change in the assumptions for separation from services. The representative values of the assumed annual rates of for withdrawal, and vested retirement were increased for the first ten years of service.

For the STRS, representative values of the assumed annual rates of future salary increases were reduced across all age groups. Disability incidence rates were reduced at certain ages. For post-retirement mortality for Group C in STRS, the age setback was changed from one year for males and females to three years for males and one year for females. Disabled retiree mortality was changed to reflect morality improvement projection to 2016.

In the municipal system, mortality assumptions for active participants, the assumptions were changed from 70% of the Buck mortality tables to 50%.

Under legislation enacted in Fiscal Year 2008, VSRS benefits were modified in three respects for members hired on or after July 1, 2008. First, the maximum benefit payable was increased from 50% to 60% of the average final compensation (AFC). Second, the eligibility condition for an unreduced benefit changed from the attainment of age 62 or 30 years of service to a "rule of 87". This "Rule of 87" refers to the sum of the employee's age and years of service. Third, for members not eligible for an unreduced benefit, the reduction for early retirement changed from a uniform 6% per year to one determined on a service based schedule. Due to the relatively small number of participants affected by the hire date incorporated in these changes, the actuary reports a minimal impact on the normal cost and accrued liability. The remaining significant provision of the same legislation makes changes to retiree cost of living (COLA) adjustments. The annual-cost-of living adjustment (COLA) applicable to the benefits of group F members retiring after July 1, 2008, rose from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current group F members who were actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 will be eligible for the enhanced COLA in 2014. Group F members who terminated service or transferred to another group plan prior to June 30, 2008 are not eligible for the new COLA unless they return to active group F service after July 1, 2008 and prior to retirement. The COLA provisions were reflected in the 2008 valuation as well as the valuation for the period ending June 30, 2011.

In the case of VSRS, the actuarial accrued liability for current retired members, terminated vested members and beneficiaries is \$953,911,779 and the actuarial accrued liability for current active and inactive members is \$1,073,985,019 for a total actuarial accrued liability of \$2,027,896,798. The actuarial value of assets is \$1,348,762,790 resulting in an unfunded accrued liability of \$346,537,738.

The total net actuarial loss for the VSRS system from June 30, 2010 to June 30, 2011 is \$22,760,583. Significant factors impacting this actuarial loss were salary experience loss of \$35,867,925, retirement experience loss of \$7,040,422, offset by COLA experience gain of \$7,391,265, and investment experience gain from the smoothing of assets of \$13,637,923.

Effective July 1, 2010 a number of changes were made to the STRS based on changes enacted by the Legislature. There were no new changes in fiscal year 2011. For Group C members who are within five years of normal retirement as of July 1, 2010, the maximum allowable benefit will increase from 50% of Average Final Compensation (AFC) to 53.34%, provided that service needed to earn a benefit in excess of 50% of AFC is rendered after July 1, 2010. For Group C members who are not within five years of normal retirement as of July 1, 2010, eligibility for normal retirement is changed from age 62 or completion of 30 years of service, to attainment of age 65 or satisfaction of the "rule of 90." Reductions for early retirement are changed from 6% per year by which commencement of benefits precedes age 62 to factors based on the System's definition of actuarial equivalence. Maximum benefits for members of this group are increased from 50% to 60% of the AFC, and the benefit multiplier is increased from 1.67% per year to 2% per year of service in excess of 20.

In the case of STRS, the actuarial accrued liability for current retired members, terminated vested members and beneficiaries is \$1,307,685,859 and the actuarial accrued liability for current active and inactive members is \$1,265,303,845 for a total actuarial accrued liability of \$2,572,989,704. The actuarial value of assets is \$1,486,698,448, resulting in an unfunded accrued liability of \$845,107,880.

The total net actuarial loss for the STRS system from June 30, 2010 to June 30, 2011 is \$67,563,552. Significant factors accounting for the actuarial loss were retirement experience losses of \$16,297,444, termination experience losses of \$31,725,921, and expenses other than investment expenses of \$21,240,905. Investment experience, including smoothing, accounted for a gain of \$8,517,121.

### Actuarial Assumptions & Methods

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS.

	VSRS	STRS	MERS
Valuation date	06/30/11	06/30/11	07/01/11
Actuarial cost method <sup>(1)</sup>	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 5% per year
Remaining amortization period <sup>(2)</sup> All closed basis	27 years	27 years	27 years

	VSRS	STRS	MERS
Asset valuation method <sup>(3)</sup>	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
<u>Actuarial assumptions</u>			
Investment rate of return <sup>(4)</sup>	6.25%-9.00%	6.25%-9.00%	6.25%-9.00%
Projected salary increases <sup>(5)</sup>	4.5%-7.79%	4.25%-8.40%	5.00%
Cost of living adjustments	1.5%-3.0%	1.5%-3.0%	Group A - 1.5% Groups B, C & D - 1.80%
<u>Post Retirement Adjustments</u>			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in CPI but not in excess of percentage indicated	Group F - 5% <sup>(6)</sup>	Group A - 2% Groups B, C, & D - 3%	
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change: 3.0%	For those eligible for increases of 100% of CPI change: 3.0%	
	For those eligible for increases of 50% of CPI change: 1.5%	For those eligible for increases of 50% of CPI change: 1.5%	

- (1) Beginning with 6/30/06, the actuarial cost method was changed to the Entry Age Normal method for VSRS and STRS.
- (2) The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/08 for STRS, and VSRS.
- (3) The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected income. If necessary a further adjustment is made to ensure that the valuation of assets are within 20% of the market value.
- (4) Effective 6/30/11, a select-and ultimate interest rate assumption was used, as described earlier in the note.
- (5) Reflects change from 6/30/10 of 4.50% - 7.79% for VSRS, and 4.41% - 10.68% for STRS.
- (6) The Group F cost of living adjustment will be increased to equal the full CPI, effective January 1, 2014 for employees who were actively contributing into the system on June 30, 2008, and retired on or after July 1, 2008, will be eligible for the enhanced COLA.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2010 and June 30, 2011, as follows.

	<u>VSRS</u>	<u>STRS</u>
Unfunded actuarial accrued liability, June 30, 2010	\$ 293,920,094	\$ 711,823,061
Normal cost	38,979,778	35,846,531
Contributions	(60,584,812)	(82,538,491)
Interest on unfunded liability, normal cost and contribution	25,014,638	58,345,495
Actuarial (gains) and losses/experience	22,760,583	67,563,552
Changes in actuarial assumptions	26,425,205	54,067,732
Changes to benefits/system provisions	<u>22,252</u>	<u>-</u>
Unfunded actuarial accrued liability, June 30, 2011	<u>\$ 346,537,738</u>	<u>\$ 845,107,880</u>

### Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2011 were as follows.

	<u>VSRS</u>	<u>STRS</u>
Annual Required Contribution (ARC)	\$ 44,491,459	\$ 48,233,006
Interest on NPO	4,485,864	14,870,263
Amortization of NPO	<u>(2,958,574)</u>	<u>(9,807,425)</u>
Pension Cost	46,018,749	53,295,844
Actual Contribution	<u>(37,572,599)</u>	<u>(50,268,131)</u>
Increase in NPO	8,446,150	3,027,713
NPO - Beginning of Year	54,374,109	180,245,609
NPO - End of Year	<u>\$ 62,820,259</u>	<u>\$ 183,273,322</u>
Percentage of APC Contributed	81.65%	94.32%

### Three-Year Trend Information

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	NPO Balance
<u>VSRS</u>			
2009	\$ 29,415,375	85.45%	\$ 47,047,885
2010	38,795,109	81.12%	54,374,109
2011	46,018,749	81.65%	62,820,259
<u>STRS</u>			
2009	41,891,551	92.52%	181,555,753
2010	40,610,459	103.23%	180,245,609
2011	53,295,844	94.32%	183,273,322

## Funded Status and Funding Progress

The following is funded status information for the three defined benefit plans as the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>VSRS</b>						
6/30/11	\$ 1,348,763	\$ 1,695,301	\$ 346,538	79.6%	\$ 398,264	87.0%
<b>STRS</b>						
6/30/11	1,486,698	2,331,806	845,108	63.8%	547,748	154.3%
<b>MERS</b>						
7/1/11	402,550	436,229	33,679	92.3%	205,589	16.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## B. Defined Contribution Retirement Plans

### Vermont State Defined Contribution Plan

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

The actuarial calculation were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling \$21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to \$21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ending June 30, 2011, member contributions totaled \$689,554 with State employer contributions at \$1,601,455. As of June 30, 2011, the Vermont State Defined Contribution Plan's net assets totaled \$45,121,860 and there were 643 participants.

### Vermont Municipal Employees' Defined Contribution Plan

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5% of earnable compensation. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. During the fiscal year ending June 30, 2011, member contributions totaled \$646,153 and employer contributions at \$609,437. As of June 30, 2011, the Municipal Employees' Defined Contribution Plan's net assets totaled \$16,083,093, and there were 566 participants.

**Single Deposit Investment Account**

The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2011 there were 1,908 members, with net assets of \$78,627,851 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows.

**Statement of Plan Net Assets**  
**Defined Contribution Plans**  
**June 30, 2011**

	<b>Vermont State Defined Contribution Fund</b>	<b>Single Deposit Investment Account</b>	<b>Vermont Municipal Employees' Defined Contribution Fund</b>
<b>Assets</b>			
Cash and short term investments.....	\$ 41,356	\$ 862,290	\$ 75,371
Receivables			
Contributions - current.....	91,823	-	13,601
Interest and dividends.....	-	127	-
Investments at Fair Value			
Mutual funds.....	45,042,406	77,765,434	16,049,454
<b>Total assets.....</b>	<b>45,175,585</b>	<b>78,627,851</b>	<b>16,138,426</b>
<b>Liabilities</b>			
Accounts payable.....	4,459	-	473
Due to other funds.....	49,266	-	54,860
<b>Total liabilities.....</b>	<b>53,725</b>	<b>-</b>	<b>55,333</b>
<b>Net assets held in trust</b>			
<b>for employees' pension benefits.....</b>	<b>\$ 45,121,860</b>	<b>\$ 78,627,851</b>	<b>\$ 16,083,093</b>



**Statement of Changes in Plan Net Assets  
Defined Contribution Plans  
For the Fiscal Year Ended June 30, 2011**

	<b>Vermont State Defined Contribution Fund</b>	<b>Single Deposit Investment Account</b>	<b>Vermont Municipal Employees' Defined Contribution Fund</b>
<b>Additions</b>			
Contributions			
Employer - pension benefit.....	\$ 1,601,455	\$ -	\$ 646,153
Plan member.....	689,554	-	609,437
Transfers from other pension trust funds....	111,102	-	16,463
Transfers from non-state systems.....	7,379	-	-
<b>Total contributions.....</b>	<b>2,409,490</b>	<b>-</b>	<b>1,272,053</b>
Investment Income			
Net appreciation in fair value of investments.....	7,192,492	1,162,467	2,684,041
Dividends.....	957,771	942,626	286,497
Interest income.....	189	1,678,303	418
Securities lending income.....	197	2,099	-
Other income.....	-	218	-
<b>Total investment income.....</b>	<b>8,150,649</b>	<b>3,785,713</b>	<b>2,970,956</b>
Less Investment Expenses			
Investment managers and consultants.....	-	342,888	-
<b>Total investment expenses.....</b>	<b>-</b>	<b>342,888</b>	<b>-</b>
<b>Net investment income.....</b>	<b>8,150,649</b>	<b>3,442,825</b>	<b>2,970,956</b>
<b>Total additions.....</b>	<b>10,560,139</b>	<b>3,442,825</b>	<b>4,243,009</b>
<b>Deductions</b>			
Retirement benefits.....	2,450,124	6,908,397	1,452,909
Operating expenses.....	49,906	-	87,439
<b>Total deductions.....</b>	<b>2,500,030</b>	<b>6,908,397</b>	<b>1,540,348</b>
<b>Change in net assets.....</b>	<b>8,060,109</b>	<b>(3,465,572)</b>	<b>2,702,661</b>
<b>Net assets held in trust for employees' pension benefits</b>			
July 1, 2010.....	37,061,751	82,093,423	13,380,432
June 30, 2011.....	\$ 45,121,860	\$ 78,627,851	\$ 16,083,093

**C. Other Post Employment Benefits**

In addition to providing pension benefits, the State offers post employment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS.

**Medical Insurance Plan Descriptions**Vermont State Retirement SystemEmployees Hired Prior To July 1, 2008

Employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal), including the State Police, may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases his or her spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

If an employee, other than a group C member, does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Employees Hired After June 30, 2008

Based on legislation enacted during fiscal year 2008, Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

As of June 30, 2011, 4,011 of the 12,168 participants in the plan were retirees enrolled in the single, spousal, or family plan options. Of the \$135.4 million in premiums received by the Medical Insurance Fund (internal service fund) during 2011, retirees contributed \$6.3 million. Of the \$126.9 million in claims expense incurred by the Medical Insurance Fund during 2010, \$34.4 million was attributable to retiree claims.

The Vermont State Postemployment Benefits Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the VSRS. By definition this is a fund required to follow the reporting requirements of the Governmental Accounting Standards Board Statement No. 43 - "Financial Reporting for Postemployment Benefit Plans Other Than Pensions." The State's fiscal year 2011 contributions to this trust fund totaled \$27.4 million which included a \$2.0 million Medicare D reimbursement received from the Federal Government, and \$.4 million from the Federal Early Retiree Reinsurance Program. The trust fund then paid premium payments of \$24.9 million (calculated on a pay-as-you-go basis) to the State's Medical Insurance Fund. At June 30, 2011, the trust fund has total net assets of \$11,215,536 being held in trust for postemployment benefits other than pension benefits.

State Teachers Retirement System

Retirees in the STRS plan participate in multi-employer health coverage plans operated by the Vermont

Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont- National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the STRS picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. As of June 30, 2011, 4,601 retirees are enrolled in the single, spouse, and family medical plan options. The retirees contributed \$11.8 million in premiums and the system contributed \$14.0 million in premiums and paid \$18.7 million on a pay-as-you-go basis, during fiscal year 2011. VEHI incurred \$29.8 million in retiree claims expense for the fiscal year ending June 30, 2011.

The valuation reflects plan changes effective July 1, 2010. The changes affect future retirements only as no changes were adopted for those retired prior to July 1, 2010. At 25 years of service, employees in this category are generally eligible to elect spousal coverage at retirement. Eligibility criteria and premium sharing levels were revised for active employees who did not attain 10 years of service as of June 30, 2010. In addition, the plan now offers subsidized spouse coverage for the first time. For new hires and those with less than 10 years of service as of July 1, 2010, there is no subsidized coverage for those retiring with less than 15 years of service at retirement, 60% single coverage at 15 years, 70% single coverage at 20 years and 80% single or spousal coverage at 25 years. Current employees with more than ten years of service as of July 1, 2011 continue with the current 80% coverage. No additional plan changes were made in fiscal year 2011.

Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

#### **Medicare Part D - Prescription Drug Subsidy**

Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D. The State system has also agreed to offer the same prescription drug coverage program that has been available to active and retired State employees for the past several years. The Department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The systems will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a

decrease in medical premiums.

For the fiscal year ending June 30, 2011, the subsidy for the VSRS system was \$1,999,918. The State has elected to place this revenue in the Vermont State Postemployment Benefits Trust Fund, an OPEB trust fund to fund future post employment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2011 was \$1,381,587 and was deposited into the STRS Pension Trust Fund.

#### Plan Membership

At June 30, 2011, the number of participants included in the OPEB valuations are as follows.

	<u>VSRS</u>	<u>STRS</u>
Active employees	8,157	10,123
Terminated vested	-	647
Retired employees	<u>4,011</u>	<u>4,953</u>
Total participants	<u>12,168</u>	<u>15,723</u>

#### Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement 45 was implemented in fiscal year 2008 prospectively with a zero net OPEB Obligation (NOO) beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the component of the State's annual OPEB cost for the year ended June 30, 2011 the amount actually contributed, and the changes in the State's net OPEB obligation.

	<u>VSRS</u>	<u>STRS</u>
Annual Required Contribution (ARC)	\$ 67,030,307	\$ 41,509,429
Interest on NOO	4,459,841	7,212,368
Adjustment to ARC	<u>(3,146,528)</u>	<u>(5,213,706)</u>
Annual OPEB Cost (AOC)	68,343,620	43,508,091
Employer Contribution Made	<u>(27,394,474)</u>	<u>-</u>
Increase in NOO	40,949,146	43,508,091
NOO - July 1, 2010	<u>104,937,441</u>	<u>180,309,205</u>
NOO - June 30, 2011	<u>\$ 145,886,587</u>	<u>\$ 223,817,296</u>
Percentage of ARC contributed	40.08%	0.00%

**Three-Year Trend Information**

<u>OPEB Fund/Plan</u>	<u>Year Ended 6/30</u>	<u>Annual OPEB Cost*</u>	<u>Percentage Contributed</u>	<u>NOO Balance</u>
<b>State Employees' Postemployment Benefit Trust Fund</b>				
	2009	\$ 58,994,051	33.72%	\$ 68,609,470
	2010	58,856,739	38.28%	104,937,441
	2011	68,343,620	40.08%	145,886,587
<b>Postemployment Benefits for State Teachers Retirement System</b>				
	2009	59,791,692	0.00%	120,012,681
	2010	60,296,524	0.00%	180,309,205
	2011	43,508,091	0.00%	223,817,296

\* Determined on a pay-as-you-go basis

In the case of VSRS, health care administrative expenses are appropriated in an administrative budget. The State's contribution for the payment of these administrative expenses is paid into the State Employee Postemployment Benefit Trust Fund which pays the health care expenses. Since these expenses are expressly funded in the State's budget, they have not been included in the VSRS defined benefit pension actuarial contribution calculations.

In the case of STRS, the health care administrative expenses are paid through the pension fund but are not explicitly appropriated. Since these expenses are not expressly funded in the State's budget, they have been included in the STRS defined benefit pension actuarial contribution calculation.

**Funded Status and Funding Progress**

The State's independent actuary has prepared valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2011. Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis. Since the VSRS has accumulated some assets, a third blended calculation is also included. The MERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The funding status of the plans as of June 30, 2011, was as follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>VSRS <sup>(1)</sup></u></b>						
6/30/11	\$ 11,216	\$ 1,009,792	\$ 998,576	1.1%	\$ 420,321	237.6%
<b><u>STRS <sup>(2)</sup></u></b>						
6/30/11	-	780,032	780,032	0.0%	547,748	142.4%

(1) Reflects blended discount rate of 4.25% in 2011.

(2) Discount rate for 2011 at 4.0%, reflecting no prefunding.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **OPEB Actuarial Valuation- Methods and Assumptions**

For VSRS, the actuarial accrued liability for OPEB obligations earned through June 30, 2011 is \$1,009.8 million with an unfunded actuarial liability of \$998.6 million. This is an increase as compared to the June 30, 2010 unfunded actuarial liability of \$917.3 million. The net increase in liability was due to expected increases over time and differences in demographic experience, as well as updates to mortality assumptions.

The health care trend cost rate assumption was modified to extend the period until the ultimate trend rate is reached from 2 years to 8 years in order to reflect general market expectations. Age morbidity factors were adjusted, eliminating the assumed increase in cost for ages above 65 for prescription drug costs for Medicare-eligible participants in light of recent internal studies of claims experience for credible retiree populations comparable to the population covered by the System. Assumed costs for pre-65 medical and prescription drug and Medicare-eligible medical costs continue to reflect age adjustments. All other assumptions, including the assumed discount rate, were the same as those used in 2010.

An OPEB trust has been established for VSRS funded in part, as required by statute, through the deposit of Medicare-D subsidies received for State employees' prescription programs. Therefore the VSRS system reflects a "blended rate" reflecting some level of prefunding, resulting in an assumed discount of 4.25% instead of the pay-as-you-go liability calculated at 4%.

An OPEB valuation was also completed for STRS. An OPEB trust has not been created for STRS and no prefunding has been made. As noted above, an experience study was completed for the STRS retirement system. Valuation assumptions were updated to reflect the postretirement benefit plans changes and the effects of changes to pension benefits adopted concurrently. As a result of the study, the disability incidence and post-retirement mortality assumptions were revised.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2011 is \$780.0 million. This is an increase compared to the unfunded

actuarial liability as of June 30, 2010. The net increase of \$76.2 million was primarily due to expected increases over time and an increase in the number of retirees, consistent with the pension valuations. In addition, updates to the demographic assumptions in the pension valuation were incorporated.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following list contains the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS OPEB plans.

	<b>VSRS</b>	<b>STRS</b>
Valuation date	06/30/11	06/30/11
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Closed basis for prefunded Open basis for pay-as-you-go	Closed basis for prefunded Open basis for pay-as-you-go
Remaining amortization period	30 years starting in 2011	30 years starting in 2011
<b>Actuarial assumptions</b>		
Investment rate of return - prefunding	8.10%	7.90%
Investment rate of return - pay-as-you-go	4.25% <sup>(1)</sup>	4.00%
Medical Care and State Share inflation	6.75% in 2012 6.5% in 2013 6.25% in 2014 declining to 5% in 2020	6.0 % in 2012 5.0% in 2013 and subsequent years
Coverage	80% of current active employees will elect retiree medical coverage and 70% of terminated vested will elect coverage	60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

<sup>(1)</sup> In fiscal year 2011, partial prefunding resulted in a blended rate of 4.25%

For both plans, the State uses an amortization method with payments increasing 5% annually, as is consistent with Statutory guidelines regarding amortization of pension liabilities.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2010 and June 30, 2011, as follows:

	<u>VSRS</u>	<u>STRS</u>
Unfunded actuarial accrued liability, June 30, 2010	\$ 917,285,325	\$ 703,750,867
End of year service cost	41,205,530	22,006,627
Interest cost	38,664,023	27,768,912
Benefit payments	(30,881,967)	(19,056,126)
Expected increase in assets	(2,220,789)	-
Impact of recent year demographic experience	4,370,847	21,137,004
New per capita costs	(8,641,523)	(33,107,500)
New decrement assumptions	25,186,537	22,119,681
Include July 1 retirees	-	35,412,690
Health Care Reform	14,705,707	-
Asset gain	(1,097,365)	-
	<u>\$ 998,576,325</u>	<u>\$ 780,032,155</u>
Unfunded actuarial accrued liability, June 30, 2011	\$ 998,576,325	\$ 780,032,155

### Dental Insurance

Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

### Life Insurance

In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, it will continue into retirement, but, up until July 1, 2008, was reduced to \$5,000. As of July 1, 2008, this benefit was increased to \$10,000 for all State employees. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the \$10,000 (increase from \$5,000 effective July 1, 2008) level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

### Vermont Municipal Employees Health Benefit Fund

The MERS RHS Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The MERS Board deposited an initial amount of \$5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately \$6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a post employment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible



members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third party record keeper.

At June 30, 2011, there were 5,226 active and retired members participating in the MERS RHS plan. Investments in member accounts as of June 30, 2011 totaled \$10,994,855. The financial statements for the OPEB Funds are as follows.

**Statement of Plan Net Assets  
Other Postemployment Benefit Funds  
June 30, 2011**

	<b>Vermont State Postemployment Benefits Trust Fund</b>	<b>Vermont Municipal Employees' Health Benefit Fund</b>
<b>Assets</b>		
Cash and short term investments.....	\$ 1,429,153	\$ 247,147
Receivables		
Contributions - current.....	281,667	-
Due from other funds.....	376,253	-
Investments at Fair Value		
Fixed income.....	5,904,488	-
Equities.....	2,741,815	-
Mutual funds.....	513,115	10,747,708
<b>Total assets.....</b>	<b>11,246,491</b>	<b>10,994,855</b>
<b>Liabilities</b>		
Accounts payable.....	30,955	-
<b>Total liabilities.....</b>	<b>30,955</b>	<b>-</b>
<b>Net assets held in trust for employee's other postemployment benefits.....</b>	<b>\$ 11,215,536</b>	<b>\$ 10,994,855</b>

**Statement of Changes in Plan Net Assets  
Other Postemployment Benefit Funds  
For the Fiscal Year Ended June 30, 2011**

	<b>Vermont State Postemployment Benefits Trust Fund</b>	<b>Vermont Municipal Employees' Health Benefit Fund</b>
<b>Additions</b>		
Contributions		
Employer - healthcare benefit.....	\$ 24,963,027	\$ -
Medicare part D drug subsidy.....	1,999,918	-
Early retiree reinsurance program.....	431,529	-
<b>Total contributions.....</b>	<b>27,394,474</b>	<b>-</b>
Investment Income		
Net appreciation in fair value of investments.....	528,985	1,774,680
Dividends.....	74,889	-
Interest income.....	197,046	1,142
Other income.....	1,100	-
<b>Total investment income.....</b>	<b>802,020</b>	<b>1,775,822</b>
Less Investment Expenses		
Investment managers and consultants.....	-	61,547
<b>Total investment expenses.....</b>	<b>-</b>	<b>61,547</b>
<b>Net investment income.....</b>	<b>802,020</b>	<b>1,714,275</b>
<b>Total additions.....</b>	<b>28,196,494</b>	<b>1,714,275</b>
<b>Deductions</b>		
Other postemployment benefits.....	24,878,272	274,073
Operating expenses.....	68	-
<b>Total deductions.....</b>	<b>24,878,340</b>	<b>274,073</b>
<b>Change in net assets.....</b>	<b>3,318,154</b>	<b>1,440,202</b>
<b>Net assets held in trust for employees postemployment benefits</b>		
July 1, 2010.....	7,897,382	9,554,653
<b>June 30, 2011.....</b>	<b>\$ 11,215,536</b>	<b>\$ 10,994,855</b>

**Note 6: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2011 are summarized as follows:

	<b>Governmental Funds</b>		<b>Internal</b>	<b>Total</b>
	<b>Major</b>	<b>Non-major</b>	<b>Service Funds</b>	<b>Governmental Activities</b>
<b>Governmental activities</b>				
<b>Taxes</b>				
Personal and corporate income	\$ 188,289,289	\$ -	\$ -	\$ 188,289,289
Sales and use	58,957,958	-	-	58,957,958
Meals and rooms	28,149,035	-	-	28,149,035
Purchase and use	345,427	-	-	345,427
Motor Fuel	7,126,988	103,028	-	7,230,016
Other taxes	13,778,161	-	-	13,778,161
Subtotal	296,646,858	103,028	-	296,749,886
Allowance for uncollectibles	(97,649,191)	-	-	(97,649,191)
<b>Taxes receivable, net</b>	<b>\$ 198,997,667</b>	<b>\$ 103,028</b>	<b>\$ -</b>	<b>\$ 199,100,695</b>
		Current receivable		\$ 90,279,097
		Non-current receivable		108,821,598
		<b>Total taxes receivable, net</b>		<b>\$ 199,100,695</b>
<b>Loans and notes</b>				
Loans and notes receivable	\$ 224,805,930	\$ -	\$ -	\$ 224,805,930
Allowance for uncollectibles	(468,200)	-	-	(468,200)
<b>Loans and notes receivable, net</b>	<b>\$ 224,337,730</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 224,337,730</b>
		Current receivable		\$ 33,757,683
		Non-current receivable		190,580,047
		<b>Total loans and notes receivable, net</b>		<b>\$ 224,337,730</b>
<b>Federal grants</b>	<b>\$ 156,451,632</b>	<b>\$ 542,537</b>	<b>\$ -</b>	<b>\$ 156,994,169</b>
<b>Other</b>				
Accrued interest and other receivables	\$ 80,747,725	\$ 546,405	\$ 9,191,930	\$ 90,486,060
Allowance for uncollectibles	(15,917,228)	(739)	(45,536)	(15,963,503)
<b>Other receivables, net</b>	<b>\$ 64,830,497</b>	<b>\$ 545,666</b>	<b>\$ 9,146,394</b>	<b>74,522,557</b>
Interfund loans receivable from Fiduciary Funds				336,878
Less Internal Service Funds' receivables from Governmental Funds				(5,616,137)
<b>Other receivables, net</b>				<b>\$ 69,243,298</b>
		Current receivable		\$ 20,643,901
		Non-current receivable		48,599,397
		<b>Total other receivable, net</b>		<b>\$ 69,243,298</b>

	Enterprise Funds		Total Business-type Activities
	Major	Non-major	
<b>Business-type activities</b>			
<b>Taxes</b>			
Unemployment	\$ 33,755,547	\$ -	\$ 33,755,547
Allowance for uncollectibles	(4,132,940)	-	(4,132,940)
<b>Taxes receivable, net</b>	<u>\$ 29,622,607</u>	<u>\$ -</u>	<u>\$ 29,622,607</u>
<b>Loans and notes receivable</b>	<u>\$ -</u>	<u>\$ 2,520,520</u>	<u>\$ 2,520,520</u>
			\$ 982,624
			<u>1,537,896</u>
<b>Total loans and notes receivable, net</b>			<u>\$ 2,520,520</u>
<b>Federal grants</b>	<u>\$ 1,391,094</u>	<u>\$ -</u>	<u>\$ 1,391,094</u>
<b>Other</b>			
Accrued interest and other receivables	\$ 2,956,594	\$ 440,312	\$ 3,396,906
Allowance for uncollectibles	(50,106)	(25,411)	(75,517)
<b>Other receivables, net</b>	<u>\$ 2,906,488</u>	<u>\$ 414,901</u>	<u>\$ 3,321,389</u>
			\$ 3,251,586
			<u>69,802</u>
<b>Total other receivable, net</b>			<u>\$ 3,321,388</u>

## Note 7: LEASE COMMITMENTS

### A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

Total lease payments paid by the primary government in fiscal year 2011 was \$9,023,393 for operating leases of which \$8,978,721 was paid for property leases, \$16,520 for equipment leases and \$28,152 for cancellable land rentals.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2011.

Fiscal Year	Primary Government		
	Non-Cancelable Leases	Cancelable Leases	Total
2012.....	\$ 7,738,444	\$ 21,290	\$ 7,759,734
2013.....	6,989,215	13,518	7,002,733
2014.....	4,816,786	3,867	4,820,653
2015.....	3,212,758	2,666	3,215,424
2016.....	1,992,911	1,406	1,994,317
2017 - 2021....	3,825,964	5,156	3,831,120
2022 - 2026....	413,285	4,825	418,110
Totals	<u>\$ 28,989,363</u>	<u>\$ 52,728</u>	<u>\$ 29,042,091</u>

**B. Capital Leases**

The State has entered into capital lease arrangements to acquire various items of machinery and equipment and building improvements with a gross asset value totaling \$5,286,041. The majority of the gross value total is from a lease with the Banc of America Public Capital Corp, for energy efficiency projects for State buildings located in Montpelier, Waterbury and Middlesex. The total cost of the equipment to be funded by the lessee under the agreement is \$4,728,467 consisting of 120 payments, based on 10 years using simple interest rate of 3.089% and a compound interest of 3.133% with the first payment made on January 1, 2010. Lease payments for 2011 were \$589,242.

Capital lease payments for the primary government in 2011 totaled \$634,047 with \$44,805 for machinery and equipment and \$589,242 for building improvements.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2011 are as follows.

<u>Fiscal Year</u>	<u>Primary Government</u>
2012.....	\$ 647,664
2013.....	653,527
2014.....	662,131
2015.....	668,081
2016.....	674,713
2017 - 2019.....	<u>1,581,621</u>
Total minimum lease payments.....	4,887,737
Less interest.....	<u>(547,732)</u>
Present value of minimum lease payments....	<u>\$ 4,340,005</u>

The State, acting through its Agency of Transportation entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of \$1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for \$500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

**Note 8: GENERAL OBLIGATION BONDS PAYABLE**

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of five State bridges, construction of one roadway capacity project, and rehabilitation and reconstruction of two interstate bridges.

The changes in bonds principal payable for fiscal year 2011 are summarized in the following schedule.

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2010	\$ 472,791,215	\$ -	\$ 472,791,215
Additions:			
Issuances	75,000,000	14,400,000	89,400,000
Accretions	579,705	-	579,705
Total	<u>75,579,705</u>	<u>14,400,000</u>	<u>89,979,705</u>
Deductions:			
Redemptions	<u>(52,630,000)</u>	<u>(565,000)</u>	<u>(53,195,000)</u>
Total	<u>(52,630,000)</u>	<u>(565,000)</u>	<u>(53,195,000)</u>
Balance, June 30, 2011	<u>\$ 495,740,920</u>	<u>\$ 13,835,000</u>	<u>\$ 509,575,920</u>

During fiscal years 1992 and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accreted amount) is recognized on a regular basis. The total accreted amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. The proceeds from these bonds totaled \$17,987,640. These bonds have a remaining maturity value of \$5,500,000 and an accreted value of \$5,051,970 at June 30, 2011.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837. These bonds have a remaining maturity value of \$1,285,000 and an accreted value of \$1,243,950 at June 30, 2011.

See the following page for a schedule of general obligation and special obligation transportation infrastructure bonds outstanding at June 30, 2011.

## General Obligation and Special Obligation Transportation Infrastructure Bonds Outstanding at June 30, 2011

				Maturity Value	Maturity Value			Maturity Value
				of Capital	Sources of Payments			of Bonds
Date	Date Series	Interest	Amount of	Appreciation	General	Transportation	Special	Outstanding
Issued	Matures	Rates %	Original Issue	Bonds	Fund	Fund	Fund	Total
General Obligation Current Interest Bonds:								
11/14/2001	8/1/2020	3.25 to 4.75	46,000,000		\$ 2,185,000	\$ -	\$ -	\$ 2,185,000
12/27/2001	8/1/2011	4.0 to 4.375	5,000,000		500,000	-	-	500,000
12/11/2002	8/1/2021	3.0 to 5.0	30,800,000		3,770,000	-	-	3,770,000
12/17/2002	8/1/2013	2.0 to 5.0	31,555,000		10,961,500	598,500	-	11,560,000
2/11/2004	2/1/2018	1.1 to 5.0	137,457,000		52,538,302	981,698	2,105,000	55,625,000
3/10/2004	3/1/2023	2.0 to 5.0	42,200,000		24,746,161	1,893,839	-	26,640,000
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000		22,700,000	-	-	22,700,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000		5,600,000	400,000	-	6,000,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	7/15/2025	3.5 to 5.0	30,000,000		17,250,000	-	-	17,250,000
12/13/2005	7/15/2015	3.1 to 4.0	15,000,000		7,500,000	-	-	7,500,000
2/21/2007	7/15/2026	4.0 to 5.0	30,000,000		27,000,000	-	-	27,000,000
3/15/2007	7/15/2016	3.375 to 4.0	9,500,000		5,700,000	-	-	5,700,000
3/15/2007	7/15/2016	3.375 to 4.0	5,000,000		3,000,000	-	-	3,000,000
11/28/2007	7/15/2027	3.50 to 5.25	35,000,000		31,400,000	-	-	31,400,000
12/20/2007	7/15/2017	3.0 to 4.0	11,000,000		7,700,000	-	-	7,700,000
12/20/2007	7/15/2017	3.0 to 5.0	29,195,000		12,425,320	254,680	-	12,680,000
3/11/2009	3/1/2029	2.0 to 5.0	50,500,000		32,770,000	12,680,000	-	45,450,000
2/3/2010	8/15/2016	2.0 to 5.0	11,200,000		9,600,000	-	-	9,600,000
2/3/2010	8/15/2029	3.75 to 4.5	40,800,000		40,800,000	-	-	40,800,000
3/11/2010	8/15/2019	2.0 to 2.8	20,000,000		18,000,000	-	-	18,000,000
3/11/2010	8/15/2021	2.0 to 5.0	29,155,000		29,155,000	-	-	29,155,000
3/11/2010	8/15/2021	2.0 to 5.0	9,675,000		9,675,000	-	-	9,675,000
10/26/2010	8/15/2013	3.0	3,750,000		3,750,000	-	-	3,750,000
10/26/2010	8/15/2030	1.45 to 4.7	46,250,000		46,250,000	-	-	46,250,000
11/30/2010	8/15/2020	1.5 to 5.0	25,000,000		25,000,000	-	-	25,000,000
Total General Obligation Current Interest Bonds					469,085,370	17,374,630	2,985,000	489,445,000
General Obligation Capital Appreciation Bonds:								
10/30/1991	10/15/2011	N/A	9,999,837	20,575,000	1,285,000	-	-	1,285,000
12/01/1993	08/01/2013	N/A	17,987,640	32,625,000	5,500,000	-	-	5,500,000
Total Maturity Value					6,785,000	-	-	6,785,000
Less: Unaccreted Interest					489,080	-	-	489,080
Total General Obligation Capital Appreciation Bonds					6,295,920	-	-	6,295,920
Total General Obligation Bonds					475,381,290	17,374,630	2,985,000	495,740,920
Special Obligation Transportation Infrastructure Bonds:								
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000		-	13,835,000	-	13,835,000
Total General Obligation and Special Obligation Bonds					\$ 475,381,290	\$ 31,209,630	\$ 2,985,000	\$ 509,575,920

At June 30, 2011, there remains \$103,301,218 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2011 are as follows:

Fiscal Year	General Obligation		Special Obligation		Capital	Total
	Current Interest Bonds		Current Interest Bonds		Appreciation	
	Principal	Interest	Principal	Interest	Bonds	
2012	\$ 48,510,000	\$ 19,853,829	\$ 575,000	\$ 416,563	\$ 3,035,000	\$ 72,390,392
2013	44,210,000	17,369,221	585,000	405,063	1,750,000	64,319,284
2014	43,995,000	15,695,019	600,000	393,363	2,000,000	62,683,382
2015	37,115,000	14,017,419	610,000	381,363	-	52,123,782
2016	33,855,000	12,656,081	625,000	369,163	-	47,505,244
2017-2021	136,460,000	45,667,265	3,345,000	1,613,660	-	187,085,925
2022-2026	97,725,000	21,367,564	3,880,000	1,088,587	-	124,061,151
2027-2031	47,575,000	4,542,444	3,615,000	354,738	-	56,087,182
Totals	\$ 489,445,000	\$ 151,168,842	\$ 13,835,000	\$ 5,022,500	\$ 6,785,000	\$ 666,256,342

#### Note 9: BOND REFUNDINGS

During fiscal years 2004, 2005, and 2010, the State defeased “in-substance” certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State’s financial statements.

The total amount of defeased bonds remaining outstanding at June 30, 2011, is \$50,100,000.

#### Note 10: BUDGET STABILIZATION ARRANGEMENTS

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances consist of any budgetary basis surplus at the close of the fiscal year, provided the balance in each fund’s Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund’s deficit at the close of a fiscal year. For fiscal year 2011, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2011 are as follows: \$10,438,554 in the Transportation Fund’s Budget Stabilization Reserve; \$54,372,598 in the General Fund’s Budget Stabilization Reserve; and \$30,287,039 in the Education Fund’s Budget Stabilization Reserve.

The State has previously reported its General Fund Budget Stabilization Reserve as reserved for budget stabilization in the governmental funds. With the implementation of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, the reserve does not meet the criteria to be classified as restricted or committed fund balance, and is reported as unassigned fund balance. This is a reporting change. There has been no change in the budget stabilization policy or the way in which the policy is being carried out. The Transportation Fund’s Budget Stabilization Reserve and the Education Fund’s Education Reserve are classified as committed for transportation and education, respectively.



**Note 11: CONTINGENT AND LIMITED LIABILITIES****A. Contingent Liabilities****Vermont Economic Development Authority:**

In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (VEDA) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Aid Board to it. Each of these original entities was relegated to a particular segment of commercial development. VEDA was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate. The full faith and credit of the State is pledged to support the activities of VEDA.

VEDA has the power, under its two insurance programs (the Mortgage Insurance Program – MIP and the Financial Access program – FAP), to insure various types of loans.

Under the MIP, VEDA has the power to insure up to \$9 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created VEDA. As of June 30, 2011, the State's contingent liability for mortgage insurance contracts insured under its MIP is \$2,484,000.

VEDA is authorized to reimburse lenders participating in its other insurance program (FAP) for losses incurred on loans that the lenders register with VEDA. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed \$1 million at any one time. The State's contingent liability for the FAP at June 30, 2011 is \$809,748. The State has no recorded payable to VEDA in the Governmental Funds for fiscal 2011.

**Federal Grants:**

The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

**B. Limited Liabilities****Vermont Economic Development Authority:**

The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

**Vermont Municipal Bond Bank:**

The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

**Vermont Housing Finance Agency:**

The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute.

This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

### **C. Contractual Liabilities**

At June 30, 2011, the State of Vermont had long-term contracts outstanding of approximately \$232,163,271 funded from federal sources, and \$554,742,370 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services. Following is a summary of contractual liabilities by agency, department or office at June 30, 2011.

<b>Agency, Department, or Office</b>	<b>Total Contractual Obligation</b>	<b>Funded by Federal Sources</b>	<b>Funded by Other Sources</b>
Agency of Administration	\$ 125,939,032	\$ 125,440	\$ 125,813,593
Agency of Agriculture, Food & Markets	1,086,410	481,360	605,050
Agency of Commerce & Community Development	9,050,970	207,259	8,843,711
Agency of Human Services	127,517,172	26,436,887	101,080,285
Agency of Natural Resources	9,387,164	2,139,235	7,247,929
Agency of Transportation	348,746,998	177,004,593	171,742,406
Auditor of Account's Office	5,405,259	-	5,405,259
Center for Crime Victims Services	7,137	5,500	1,637
Criminal Justice Training Council	200,946	-	200,946
Department of Banking, Insurance, Securities and Health Care Administration	2,278,949	291,946	1,987,003
Department of Education	7,410,061	6,796,063	613,998
Department of Labor	270,494	270,494	-
Department of Liquor Control	100,274	-	100,274
Department of Public Safety	10,107,483	6,830,423	3,277,060
Enhanced 911 Board	9,854,970	-	9,854,970
Joint Fiscal Office	520,823	-	520,823
Judiciary	3,194,393	20,000	3,174,393
Legislative Council	2,959,393	2,655,632	303,761
Military Department	555,619	49,124	506,495
Office of the Attorney General	2,317,576	-	2,317,576
Public Service Board	1,643,138	-	1,643,138
Public Service Department	16,071,584	8,849,316	7,222,268
Secretary of State's Office	44,913	-	44,913
State Treasurer's Office	102,169,775	-	102,169,775
State's Attorneys and Sheriffs	35,511	-	35,511
Vermont Lottery Commission	29,599	-	29,599
<b>Total</b>	<b>\$ 786,905,641</b>	<b>\$ 232,163,271</b>	<b>\$ 554,742,370</b>

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 69% have end dates of June 30, 2012 or earlier. Of the Agency of Human Services contract liability balance, 30% is for contracts in the Department of Corrections and 46% is Department of Vermont Health Access. Of the contracts in the Agency of Administration, 40% have end dates during fiscal year 2012, and are primarily for human resource benefit administration services, information technology services, and capital construction. The State Treasurer's Office contracts are mostly investment management services for the retirement plans which consist of 98% of the total, with 8% having end dates during fiscal year 2012.

**D. Grant Awards**

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals and families statewide. During fiscal year 2011, the State awarded over 7,500 grants. The chart below shows the funding sources for these awards, the fiscal year 2011 payments issued to grantees on both these awards and prior year grant awards, and the remaining unexpended award amounts and June 30, 2011.

	<b>Fiscal Year 2011 Awards</b>	<b>Current &amp; Prior Year Awards Expended During Fiscal Year</b>	<b>Award Balances at June 30, 2011</b>
General Fund	\$ 138,718,558	\$ 135,178,442	\$ 8,956,687
Federal grant sources	266,808,095	268,050,735	151,279,360
Other funding sources	299,637,639	279,936,243	88,889,058
<b>Total</b>	<b>\$ 705,164,292</b>	<b>\$ 683,165,420</b>	<b>\$ 249,125,104</b>

A partial summary of the 2011 grant activity is provided below.

Higher education and student assistance grants awarded during fiscal year 2011 totaled \$92,931,202 with \$80,922,099 from General Fund, \$475,522 from Federal sources and the remaining amount of \$11,533,581 from all other funds. During fiscal year 2011, the State expended \$92,932,105 both on these awards and prior year awards. At June 30, 2011, there is a remaining unexpended award balance of \$1,478,223.

During fiscal year 2011, over 1,005 federal ARRA grants, totaling \$100,432,948, were awarded in the areas of general education, loan funds, training, tourism, Vermont economic development and public safety programs. The amount expended during fiscal year 2011 totaled \$82,029,400 which leaves an unexpended balance of \$31,762,306 at June 30, 2011, with \$12,710,653 from federal sources and \$19,051,653 from other sources.

During fiscal year 2011, 118 grants have been awarded to programs under mental health for adults and children with awards totaling \$110,391,992. Programs managed under mental health are youth in transition, success beyond six, children's upstream and Vt. Child trauma. The amount expended during fiscal year 2011 totaled \$106,123,574, with \$312,375 from general fund, \$4,748,607 from federal sources, and \$101,062,592 remaining from all other funds. This leaves an unexpended balance of \$6,670,815 at June 30, 2011.

During fiscal year 2011, 110 public health grants were awarded for prevention of diseases, public awareness programs like tobacco cessation, HIV prevention and family planning, vaccinations and inspection programs. Grants totaling \$13,133,183 were awarded, with \$9,026,574 coming from federal sources. These awards, plus unexpended awards from previous years totaling \$5,684,564, funded the fiscal year 2011 expenditures of \$10,755,740 with \$1,928,439, \$7,442,337 and \$1,384,964 coming from general fund, federal funds, and all other sources, respectively. The unexpended balance at June 30, 2011 is \$8,062,008 with 67% or \$5,421,528 from federal sources.

During fiscal year 2011, over 100 grants were awarded by the State to alcohol and drug abuse programs, which includes DUI enforcement grants. The total awarded of \$11,966,700 consists of \$3,657,389 from general fund, \$7,860,611 in federal fund sources, and \$448,700 from all other sources. The State expended \$12,708,622 during fiscal year 2011, which leaves an unexpended awarded balance of \$2,786,412, with \$747,342 in General Fund, \$1,832,297 in federal grant sources, and \$206,774 in all other funding sources at June 30, 2011.

Under labor and training programs like vocational rehabilitation, 94 grants have been awarded to outreach programs, individuals with disabilities, work training programs, workforce education, career exploration and apprenticeship programs. In fiscal year 2011, grants of \$3,842,419 (with \$1,715,500 coming from federal sources) were awarded, and \$4,119,850 was expended from all fund sources. The unexpended balance remaining at June 30, 2011, is \$3,366,409 which includes prior years' unexpended balances of \$3,689,241.

Other educational grants have been awarded for school improvements, Title I, II, III and V as well as head start and technology advances. During fiscal year 2011, 1,369 education grants totaling \$127,694,241 with 77% or \$98,529,088 coming from federal sources were awarded. These grants, along with prior years' awarded but unexpended funds of \$18,888,552, allowed for a fiscal year 2011 expended amount of \$120,500,806 with \$91,797,888, \$1,352,185, and \$27,350,734 coming from federal sources, General Funds, and all other sources respectively. The remaining unexpended balance at June 30, 2011 is \$13,238,330, with all of this balance coming from federal sources.

During fiscal year 2011, 193 community and economic development grants totaling \$17,535,599 were awarded for energy savings programs and feasibility studies utilizing wind power, solar panels and geothermal projects. Expenditures in these areas totaled \$18,963,182, with \$2,160,957 in general fund, \$15,713,830 in federal fund sources and \$1,088,395 in all other sources. Along with prior years' unexpended balance of \$23,561,362, that leaves an unexpended grant balance of \$22,184,811, with \$17,812,826 or 80% in federal funds at June 30.

During fiscal year 2011, the United States Department of Justice awarded the Vermont Crime Victims 64 federal grants totaling \$1,809,031 for crime victim assistance, and domestic and family violence services' programs. The amount expended totaled \$1,806,324 which along with a prior years' unexpended balance of \$937,832 leaves an unexpended committed balance of \$886,539 at June 30, 2011.

Transportation grants consists of town highway projects like bridge replacement and rehabilitation, culvert repair and State aid to towns; State and FTA funded projects; State paving projects, enhancement projects and various roadway projects. Fiscal year 2011 total grants awarded were \$57,148,235, with \$21,549,148 coming from federal sources, and \$35,599,087 coming from State and bonding sources other than the General Fund. This total, plus previous years' unexpended awards of \$125,099,231, funded \$75,573,710 in total expenditures, with \$33,871,517 or 44% from federal sources and \$41,702,193 or 55% coming the sources. This leaves an unexpended balance of \$108,383,845 at June 30, 2011.

During fiscal year 2011, over 170 grants totaling \$25,522,271 were awarded to the aged and independent living programs. The majority of the grants were for training, work based learning and supported education, abuse prevention, caregiver programs and grants for home delivered meals. Of the total grant amount of \$25,522,271 awarded, \$7,381,397 came from the General Fund, \$14,573,376 from federal sources, and \$3,567,498 from all other sources; the sum of which when combined with an unexpended balance remaining from previous awards of \$4,032,999, funded expenditures of \$23,521,281. The unexpended balance remaining at June 30, 2011 totaled \$6,033,989 and is comprised of \$654,290 in General Fund, \$4,690,536 in federal sources, and \$689,163 in all other sources.

Public Safety grants are made up of safety programs like homeland security, motorcycle safety, bicycle safety, traffic safety, seatbelt safety and boating safety. During fiscal year 2011, safety grants included 393 grants for a total of \$7,393,453 with 98% of the total made up from federal sources. Total expended balance of \$4,483,500, combined with an outstanding balance of \$2,781,745 from previous years' unexpended balance, is \$5,806,572 with \$5,759,041 from federal sources.

During fiscal year 2011, \$44,387,952 (\$29,609,552 in federal sources) in human services grants from department of children and families for child care programs, economic and family services, economic opportunities and weatherization programs were awarded. These awards along with previous years' unexpended balances of \$9,184,002 funded expenditures of \$39,939,263 resulting in an unexpended balance of \$4,291,952, of which \$2,916,627 was funded by federal sources, \$1,093,177 from general fund and \$910,147 from other sources..

#### **Note 12: LITIGATION**

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney

General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

**Note 13: JOINT VENTURE**

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. Fifty percent of the gross sales from each State are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each State remain in that particular State.

At June 30, 2011, the Commission had total assets of \$73,925,110, and total liabilities of \$61,322,055, representing decreases of \$20.4 million and \$18.0 million respectively, compared to June 30, 2010 figures. For the fiscal year ended June 30, 2011, the Commission had operating revenues of \$68,131,731, a decrease of \$10.6 million; interest income of \$48,018, an increase of \$19,075; commissions, fees, and bonus expenses of \$6,792,771, a decrease of \$2,107,951; prize awards of \$34,239,069 a decrease of \$5.0 million; and other operating expenses of \$4,322,719, a decrease of \$9,741; all activity as compared to the fiscal year ended June 30, 2010.

During fiscal year 2011, the Commission made operating transfers to member states of \$22,826,190 versus \$26,245,842 during fiscal year 2010. This total included \$3,631,338 transferred to Vermont during the fiscal year, an increase of \$280,370 as compared to fiscal year 2010.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

**Note 14: RISK MANAGEMENT****A. Workers' Compensation and Risk Management**

The Agency of Administration Financial Operations Division of the Department of Buildings and General Services oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

- Workers' Compensation Self Insurance Fund
- State Liability Self Insurance Fund
- Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Workers' Compensation personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not

reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. The State is self-insured (SIR) for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to \$750,000 (\$1,000,000 total) in Vermont and \$10,000,000 in excess of the \$250,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

There have been no significant reductions in insurance coverage from the prior year. Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired State office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by the Workers' Compensation personnel. In fiscal year 2011 and 2010 respectively, approved claims paid were \$473,239 and \$292,291. In fiscal year 2011, one large claim was settled.

#### **B. Health Care Insurance, Dental Assistance Plan, Life Insurance, Employee Assistance Program, and Long Term Disability Funds for State Employee Benefit Plans**

The Administrative Services Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, life insurance, employee assistance program, and long term disability program funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate setting is performed by an outside actuary in conjunction with the Fiscal Unit of the Administrative Services Division of the Department of Human

Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division.

The medical insurance plan offerings have been in place since 2001 and include four plan options. TotalChoice and HealthGuard options are "preferred provider organization" indemnity-type plans. The SafetyNet option is a high-deductible catastrophic plan. The SelectCare plan is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so. Benefits are administered under a managed care arrangement. All four health plan options are self-insured by the State. The State employs a third party administrator to provide administrative services, including claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to \$1,000 regular dental benefits annually and up to \$1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The plan operates with a schedule of benefits which is bargained under the labor contract and has not been updated since 2001. The Administrative Services Division within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest \$100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of \$10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Administrative Services Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of outside special groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State. The State pays 100% of the fee for this plan.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family, financial, substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the fee for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union (the Vermont State Employees Association) are eligible for this benefit. Employees must be employed for one (1) year before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from

eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase following eligibility. During 2011, departments were given a 13 pay-period rate holiday and normal premium recovery from employees was not processed.

Presented below is a table displaying three years' changes in the respective funds' claims liability amounts.

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Cuurent FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Liability at End of the Fiscal Year</u>
<b>Workers' Compensation Fund</b>				
2009	\$ 18,621,901	\$ 8,810,223	\$ 6,679,413	\$ 20,752,711
2010	20,752,711	9,958,945	6,374,876	24,336,780
2011	24,336,780	5,850,317	6,983,306	23,203,791
<b>State Liability Insurance Fund</b>				
2009	5,776,852	1,663,583	1,158,621	6,281,814
2010	6,281,814	1,983,164	1,347,076	6,917,902
2011	6,917,902	400,884	891,905	6,426,881
<b>Medical Insurance Fund</b>				
2009	11,178,441	104,332,765	104,672,736	10,838,470
2010	10,838,470	109,027,749	108,961,398	10,904,821
2011	10,904,821	116,845,994	115,834,579	11,916,236
<b>Dental Insurance Fund</b>				
2009	255,102	5,233,950	5,212,645	276,407
2010	276,407	4,972,853	4,974,032	275,228
2011	275,228	4,972,179	5,050,658	196,749

#### **Note 15: DEFICIT FUND BALANCES AND NET ASSETS**

##### **Business-type Proprietary Funds**

*Unemployment Compensation Trust Fund:* ended fiscal year 2011 with a deficit total net asset balance of \$11,199,590. The Fund became insolvent during the first quarter of 2010. Legislation was subsequently passed that made changes in unemployment statutes designed to bring the State closer to solvency, including a significant increase in the wage base, a freeze on the maximum weekly benefit amount, a prohibition on employees fired for gross misconduct from using those wages to qualify for benefits, and the institution of a "waiting period" week, among other changes.

*Federal Surplus Property:* ended fiscal year 2011 with both a deficit unrestricted net asset and a deficit total net asset balance of \$705,916. The program continues to suffer from a lack of inventory for sale from the federal government that could be retrieved for sale by the State. Though the deficit in fiscal 2011 was reduced, the



reduction was solely due to a \$250,000 recapitalization of the fund from the General Fund. The intent is to actively retrieve goods for sale and increase activity in fiscal 2012. Given the program is popular with local governments the plan is to continue to recapitalize the fund from the General Fund if sales continue to keep the program in a deficit position.

*Vermont Life Magazine:* ended fiscal year 2011 with both a deficit unrestricted net asset balance of \$1,006,269 and a deficit total net asset balance of \$1,001,993. Due mainly to the economic recession, like print publications throughout the country, Vermont Life has seen impacts on advertising revenue, sales revenue and circulation numbers. The magazine has taken a number of steps this year to improve performance. The magazine was redesigned with the Spring issue, and the redesign appears to have been popular. A new incentive-based advertising professional and a new incentive-based product sales vendor have been hired to promote these revenue areas. The magazine is actively promoting new partnerships with business and with other state agencies and departments. The direct mailing campaign has been strengthened by increasing the number of direct mail pieces sent out and by exploring new mailing lists to expand the subscription base, as well as redesigning all direct mail pieces. In fiscal year 2012, the magazine will have an Audit Bureau of Circulations audit conducted to determine any change in demographics.

### **Internal Service Funds**

*Copy Center Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$3,058,429 and a deficit total net asset balance of \$1,683,235. Increased efficiencies implemented in the Print Shop created savings, which in turn reduced the deficit in 2011. The Copy Center expects an increase in business activity in fiscal year 2012 and beyond with the goal of saving the state resources as a result of new printing mandates being implemented by the administration directing more business to the Print Shop. The fund deficit should be recovered through normal operations.

*Facilities Operations Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$2,319,151 and a deficit total net asset balance of \$2,484,321. In part the loss is due to budget rescissions to the program in the amount of \$753,000. The remainder of the loss is due to operating expenses being volatile for heating and utilities. These factors will be considered in future rates and it is expected that the entire fund deficit will be recovered through increased efficiencies and an increase in future rates.

*Fleet Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$4,731,121 and a positive total net asset balance of \$460,123. The unrestricted deficit balance is due to a rolling annual replacement schedule for vehicles financed through Interfund Loans Payable. The Invested in Capital Assets balance is a positive \$5,191,244. Given the financial structure of the fund, the unrestricted net assets are not expected to be positive, but the combined net asset balance is and should remain in that position.

*Highway Garage Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$393,414. The Highway Garage Department has structured a five year plan to eliminate the deficit by increasing rental rates. Rental rates for all vehicles and equipment have been restructured to charge for possession rather than usage, which will significantly stabilize revenues and reduce the deficit.

*Postage Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$1,777,184 and a deficit total net asset balance of \$1,758,817. The Postage Fund continues to see a loss from year to year. However, due to increased sales in fiscal year 2011, the loss was smaller than it has been in past years. The current fund deficit will be recovered through normal business operations.

*Property Management Fund:* ended fiscal year 2011 with a deficit unrestricted net asset balance of \$20,877,024 and a deficit total net asset balance of \$20,871,762. The fund deficit continues to expand due to the 20-year bonding of the three buildings in the program and the 50-year recovery period of the bond principle. The fund will begin to recover after the 20-year bonding period has ended. Two of the three buildings have completed their 20-year bond period. It is anticipated that the fund will begin to recover soon afterwards.

*Single Audit Revolving Fund:* ended fiscal year 2011 with both a deficit unrestricted net asset and a total net

asset balance of \$366,405. In part, the deficit can be attributed to fiscal year 2009 budget rescissions resulting in a transfer to the General Fund of \$196,000. The remaining deficit is due to estimated billing costs that were understated in fiscal year 2011, but should be recovered through normal billing for services in fiscal year 2012.

*Workers' Compensation Fund:* ended fiscal year 2011 with both a deficit unrestricted net asset balance and a total net asset balance of \$3,933,967. The rates for fiscal year 2012 include an additional \$1 million to help alleviate part of this deficit fund balance. The fund deficit will be addressed in setting the fiscal year 2013 rates for departments and agencies. The workers' compensation program has an aggressive medical case management team that is striving to return injured employees back to work at the earliest possible date. This objective should result in an improvement in the claims expense going forward.

**Note 16: CHANGES IN LONG-TERM LIABILITIES**

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. Other liabilities include the unamortized premium on the sale of bonds. During the year ended June 30, 2011, the following changes occurred in the long-term liabilities.

	<u>Total Liability July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Liability June 30, 2011</u>	<u>Amounts due within one year</u>
<b>Governmental activities</b>					
Bonds payable	\$ 472,791,215	\$ 89,979,705	\$ 53,195,000	\$ 509,575,920	\$ 52,120,000
Capital leases payable	4,819,885	36,923	516,803	4,340,005	509,744
Compensated absences	32,658,655	33,203,524	33,073,628	32,788,551	21,446,041
Claims and judgments	42,434,731	128,069,374	128,760,448	41,743,657	12,155,134
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligations	234,619,718	99,314,593	87,840,730	246,093,581	-
Net other postemployment obligations	285,246,646	111,851,711	27,394,474	369,703,883	-
Other liabilities	15,677,340	1,602,102	1,663,696	15,615,746	1,818,027
Pollution remediation obligations	5,155,295	297,500	242,964	5,209,831	243,520
Total governmental activities long-term liabilities	<u>\$ 1,100,403,485</u>	<u>\$ 464,355,432</u>	<u>\$ 332,687,743</u>	<u>\$ 1,232,071,174</u>	<u>\$ 88,292,466</u>

Governmental activities bonds payable additions of \$89,979,705 include \$75,000,000 in general obligation bonds, \$14,400,000 in special obligation bonds, and \$579,705 of accretions on capital appreciation bonds.

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are five sites in Vermont in various stages of cleanup, from initial assessment to cleanup activities. There was a net increase of \$54,536 in the Pollution Remediation Obligation (PRO) at June 30, 2011. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

The State has identified another site for cleanup for which estimated costs (liabilities) have not been recognized. The site, which is a mine, has been identified as having significant erosion. Currently, costs for its remediation and long term maintenance have not been determined at this time as the evaluation processes have just begun. The State is in the process of determining who is responsible and if there is a potential to recover cleanup funds from former owners. The case has been referred to the USEPA for consideration as a Superfund site.

	<u>Total Liability July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Liability June 30, 2011</u>	<u>Amounts due within one year</u>
<b>Business-type activities</b>					
Unemployment compensation trust fund					
federal account loan	\$ 32,657,065	\$ 45,074,796	\$ -	\$ 77,731,861	\$ -
Compensated absences	353,330	283,696	300,851	336,175	199,507
Lottery prize awards payable	4,483,125	60,613,105	60,582,412	4,513,818	2,903,657
Total business-type activities long term liabilities	<u>\$ 37,493,520</u>	<u>\$ 105,971,597</u>	<u>\$ 60,883,263</u>	<u>\$ 82,581,854</u>	<u>\$ 3,103,164</u>
<b>Fiduciary</b>					
Compensated absences	\$ 13,812	\$ 14,433	\$ 13,625	\$ 14,620	\$ 9,476
Total fiduciary long-term liabilities	<u>\$ 13,812</u>	<u>\$ 14,433</u>	<u>\$ 13,625</u>	<u>\$ 14,620</u>	<u>\$ 9,476</u>

During the fiscal year, the Unemployment Compensation Trust Fund drew advances from the U. S. Treasury's Unemployment Trust Fund (UTF). The American Recovery and Reinvestment Act of 2009 provided that these State advances be interest free through December 31, 2010. Accrued interest at June 30, 2011 was \$1,317,247, to be paid from the general fund when due in September, 2011.

**Note 17: ACCOUNTING CHANGES*****Notes and Loans Receivable.***

Prior to the implementation of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the State elected to report notes and loans receivable with an offsetting deferred revenue, with notes and loans made recorded as an expenditure, and notes and loans repaid recorded as a revenue. The State elected not to report a reserved fund balance, so as not to give the reader the mistaken impression that the funds were available for appropriation in the near term. With the implementation of GASB No. 54, the new fund balance classifications, particularly the non-spendable fund balance for notes and loans receivable, the State has elected to change the way it is reporting these loans to show the balance as non-spendable fund balance instead of reporting as deferred revenue.

For the General Fund, beginning fund balance was restated by \$587,249, which represented the amount of notes and loans receivable as of July 1, 2010. For the Special Fund, beginning fund balance was retroactively adjusted by \$1,157,019, which represents the amounts of notes and loans receivable as of July 1, 2010. For the Federal Revenue Fund, beginning fund balance was retroactively adjusted by \$193,299,186, which represented the amount of notes and loans receivable as of July 1, 2010. In cases where the original proceeds are restored, committed or assigned, the loans are reported in the same category of fund balance as the original proceeds.

***Electric Power Sales Fund***

In prior years, the State reported as a part of its Special Fund the purchase and sale of electric power, with sales being reported under sales of service revenue and purchases being reported under public service enterprises expenditures. For the year ended June 30, 2011, the State determined that the nature of the fund had changed over time to be more properly classified as an enterprise fund as the intent is for the fund to operate as a business-type activity.

For the Special Fund, beginning fund balance was retroactively adjusted by \$193,295, which represented the modified accrual negative fund balance in the fund at July 1, 2010. For the Electric Power Sales Fund, beginning fund balance was restated by (\$14,274), which represented the accrual basis negative fund balance in the fund at July 1, 2010. The difference of \$179,021 represented accounts receivable at June 30, 2010, which was deferred in the Special Fund as it was not collected within a reasonable period of time after year end, but was recognized as revenue in the Electric Power Sales Fund. Beginning net assets in the Government-wide financial statements were similarly restated.

**Note 18: RESTRICTED NET ASSETS - Discretely Presented Component Units**

Restricted net assets are those portions of total net assets that are not available for appropriation for expenditure or that are legally segregated for a specific future use. Restricted net assets at June 30, 2011 are as follows:

	<b>Vermont Student Assistance Corporation</b>	<b>University of Vermont and State Agricultural College</b>	<b>Vermont State Colleges</b>	<b>Vermont Housing Finance Agency</b>	<b>Non-major Component Units</b>
<b>Restricted for</b>					
Endowments					
Expendable	\$ 157,000	\$ 283,481,000	\$ 5,910,795	\$ -	\$ -
Nonexpendable	3,215,000	94,662,000	13,414,763	-	-
Grants and scholarships	2,961,000	-	-	-	-
Bond resolution	105,835,000	-	-	81,136,627	-
Interest rate subsidies	-	-	-	-	4,034,469
Investment - Vermont Seed Capital, LP	-	-	-	-	4,040,000
Investment - VSJF Flexible Cap Fund	-	-	-	-	41,010
Collateral for commercial paper program	-	-	-	-	20,067,767
Infrastructure investments	-	-	-	-	2,509,900
Project and program commitments	-	-	-	-	30,828,494
Loans receivable <sup>(1)</sup>	-	-	-	-	154,736,175
<b>Total Component Units</b>					
<b>Restricted Net Assets</b>	<u>\$ 112,168,000</u>	<u>\$ 378,143,000</u>	<u>\$ 19,325,558</u>	<u>\$ 81,136,627</u>	<u>\$ 216,257,815</u>

<sup>(1)</sup> Loans receivable for the Vermont Housing and Conservation Board include federally restricted funds.

**Note 19: SUBSEQUENT EVENTS**  
**Tropical Storm Irene**

On August 28, 2011, Vermont was struck by Tropical Storm Irene, causing catastrophic damage to the State. One hundred forty-six State roads and 34 State highway bridges were damaged or destroyed, as well as five bridges on the State-owned rail system. The State Office Complex in Waterbury was flooded and nearly 1,500 employees were displaced. While the estimated damage to Vermont is \$440 million, the full impact of the storm on the State is not known at this time.

The State carries commercial insurance policies to cover damage to State-owned real property. The State is currently working with insurance adjusters on the amount of any insurance recoveries the State may be receiving, but it is expected that most of the cost of stabilization and reconstruction will be covered. Damage to roads and bridges will be eligible for reimbursement from either the Federal Highway Administration Emergency Relief Program or the Federal Emergency Management Agency Public Assistance Program. The State is currently working with representatives from FHWA and FEMA on the amount of repairs and reconstruction costs that are eligible for reimbursement. FHWA funding is usually capped at \$100 million per State per event; however, Congress has passed legislation removing that cap. Emergency repairs are eligible for 100% funding while permanent repairs are eligible for 80% funding. FEMA funding typically covers 75% of all approved costs, although since the damage is expected to pass the threshold of \$127 per capita, the funding will be increased to 90%. The estimated cost to the State for these damages is \$34 million.

Two of the State's component units, the Vermont State College System (VSC) and the Vermont Center for Geographic Information, Inc. (VCGI), also suffered substantial damage. The VSC had damage to facilities at three of its locations and the VCGI suffered damage at its location. Both the VSC and the VCGI carry commercial insurance policies to cover damage to equipment and real property that should cover most of the losses to their facilities.

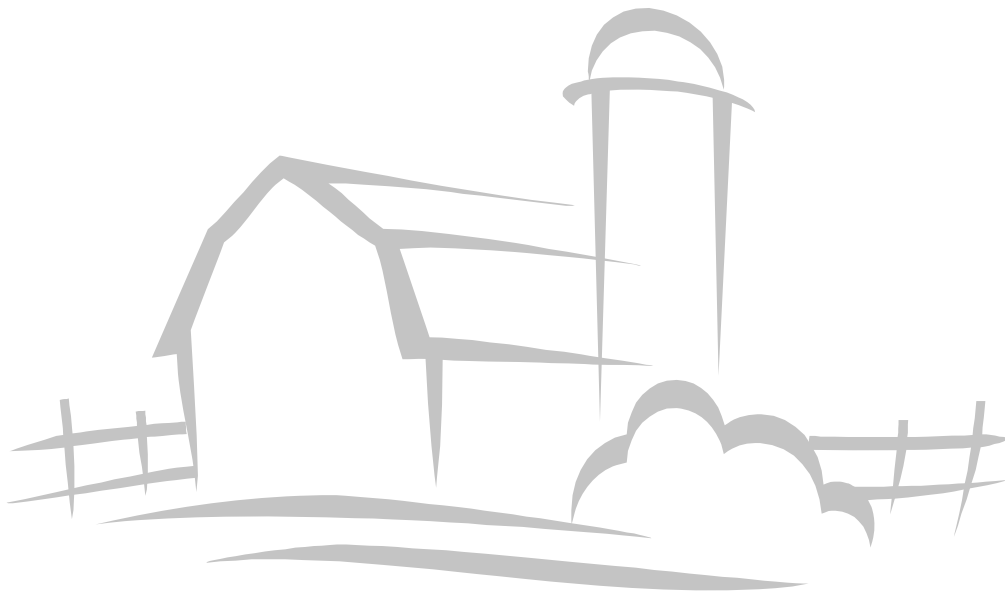
There was also extensive damage to local governments. Two thousand, one hundred thirty-five segments of town roads, 931 town culverts and 283 town bridges were damaged or destroyed, with estimated reconstruction costs of \$140 million. Thirteen communities were unreachable for a period of time, and another eight had limited access. Many municipal structures were damaged, including buildings, park land, and water and wastewater facilities. Damage to buildings and utility systems are eligible for insurance reimbursement, and other damages are eligible for disaster assistance from FEMA. The State will provide a portion of the match that FEMA requires. This assistance to cities and towns is estimated at \$7 million.

The storm also damaged or destroyed many private homes and other buildings across the State. It is anticipated that many of these building owners will apply for property tax relief through their local town's Board of Abatement. A significant portion of the property taxes that may be abated consists of the State-wide education property tax. The State has announced a plan whereby if the abatement meets certain criteria, the State will reimburse the towns for any portion of the education property tax that may be abated. It is expected that this will cost the State between \$2 and \$4 million.

There are other costs related to the impact of the storm, including damages to forests and parks, as well as costs for business loans and the Statewide audit. These costs are estimated at \$2 million.

The State is currently compiling information relative to any asset impairments that need to be recorded. Any necessary adjustments will be included in the financial Statements for the year ending June 30, 2012.

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*Vermont*



***Required Supplementary Information***  
*(Unaudited)*



**STATE OF VERMONT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLANS**  
**SCHEDULE OF FUNDING PROGRESS**  
*(dollar amounts expressed in thousands)*  
**(Unaudited)**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>VSRS <sup>(1)</sup></b>						
2011	\$ 1,348,763	\$ 1,695,301	\$ 346,538	79.56%	\$ 398,264	87.01%
2010	1,265,404	1,559,324	293,920	81.15%	393,829	74.63%
2009	1,217,638	1,544,144	326,506	78.86%	404,516	80.72%
2008	1,377,101	1,464,202	87,101	94.05%	404,938	21.51%
2007	1,318,687	1,307,643	(11,044)	100.84%	386,917	-2.85%
2006	1,223,323	1,232,367	9,044	99.27%	369,310	2.45%
<b>STRS <sup>(1)</sup></b>						
2011	\$ 1,486,698	\$ 2,331,806	\$ 845,108	63.76%	\$ 547,748	154.29%
2010	1,410,368	2,122,191	711,823	66.46%	562,150	126.63%
2009	1,374,079	2,101,838	727,759	65.38%	561,588	129.59%
2008	1,605,462	1,984,967	379,505	80.88%	515,573	73.61%
2007	1,541,860	1,816,650	274,790	84.87%	499,044	55.06%
2006	1,427,393	1,686,502	259,109	84.64%	468,858	55.26%
<b>MERS</b>						
2011	\$ 402,550	\$ 436,229	\$ 33,679	92.28%	\$ 205,589	16.38%
2010	376,153	409,022	32,869	91.96%	202,405	16.24%
2009	331,407	366,973	35,566	90.31%	191,521	18.57%
2008	348,740	343,685	(5,055)	101.47%	162,321	-3.11%
2007	325,774	309,853	(15,921)	105.14%	148,815	-10.70%
2006	288,347	276,552	(11,795)	104.27%	146,190	-8.07%

<sup>(1)</sup> The funding method for VRSR and STRS was changed from "entry age normal with frozen initial liability" to "entry age normal" effective with the 2006 actuarial valuation.

**STATE OF VERMONT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLANS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
*(dollar amounts expressed in thousands)*  
**(Unaudited)**

<b>Retirement System</b>	<b>Year Ended 6/30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
Vermont State Retirement System	2011	\$ 44,491	84.45%
	2010	37,418	84.10%
	2009	28,998	86.68%
	2008	42,375	92.49%
	2007	40,190	97.78%
	2006	38,215	97.58%
State Teachers' Retirement System	2011	\$ 48,233	104.22%
	2010	41,503	101.01%
	2009	37,077	100.74%
	2008	40,749	100.51%
	2007	38,200	100.77%
	2006	49,924	50.05%
Vermont Municipal Employees' Retirement System	2011	\$ 11,117	100.00%
	2010	10,593	100.00%
	2009	-	N/A
	2008	-	N/A
	2007	8,546	100.00%
	2006	7,840	100.00%

N/A - not applicable

For fiscal years 2009 and 2008, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employees' Health Benefit fund.

**STATE OF VERMONT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFIT PLANS**  
**SCHEDULE OF FUNDING PROGRESS**  
*(dollar amounts expressed in thousands)*  
**(Unaudited)**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>State Employees' Postemployment Benefit Trust Fund <sup>(1)</sup></b>						
2011	\$ 11,216	\$ 1,009,792	\$ 998,576	1.11%	\$ 420,321	237.57%
2010	7,897	925,183	917,286	0.85%	414,936	221.07%
2009	5,749	780,748	774,999	0.74%	426,827	181.57%
2008	3,664	754,690	751,026	0.49%	404,934	185.47%
2007	2,211	606,499	604,288	0.36%	386,917	156.18%

<sup>(1)</sup> Based on a discount rate of 4.00% for 2007 and 2008, and 4.25% for 2009, 2010, and 2011

<b>State Teachers Retiree Medical Benefit Plan <sup>(2)</sup></b>						
2011	\$ -	\$ 780,032	\$ 780,032	0.00%	\$ 547,748	142.41%
2010	-	703,751	703,751	0.00%	560,763	125.50%
2009	-	872,236	872,236	0.00%	561,588	155.32%
2008	-	863,555	863,555	0.00%	535,807	161.17%
2007	-	820,212	820,212	0.00%	515,573	159.09%

<sup>(2)</sup> Based on a discount rate of 3.75% for 2007, 4.00% for 2008 and thereafter

**STATE OF VERMONT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFIT PLANS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
*(dollar amounts expressed in thousands)*  
**(Unaudited)**

<b>Retirement System</b>	<b>Year Ended 6/30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
<b>State Employees' Postemployment Benefit Trust Fund</b>			
	2011	\$ 67,030	40.87%
	2010	57,998	38.84%
	2009	58,994	33.72%
	2008	47,285	37.59%
	2007	40,874	0.00%
<b>Postemployment Benefits for State Teachers' Retirement System</b>			
	2011	\$ 41,509	0.00%
	2010	58,966	0.00%
	2009	59,712	0.00%
	2008	60,221	0.00%

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Taxes	\$1,060,000,000	\$1,087,400,000	\$1,136,437,103	\$ 49,037,103
Earnings of Departments	19,500,000	19,900,000	20,464,581	564,581
Other	10,900,000	10,200,000	10,819,993	619,993
<b>Total revenues</b>	<u>1,090,400,000</u>	<u>1,117,500,000</u>	<u>1,167,721,677</u>	<u>50,221,677</u>
<b>Expenditures</b>				
<b>General Government</b>				
Agency of Administration	47,562,306	64,801,288	39,123,374	(25,677,914)
Executive Office	1,366,854	1,398,137	1,312,425	(85,712)
Legislative Council	10,101,148	10,878,374	9,850,681	(1,027,693)
Joint Fiscal Office	1,754,666	2,090,765	1,798,130	(292,635)
Sergeant at Arms	559,433	648,500	482,425	(166,075)
Lieutenant Governor's Office	167,212	183,391	178,350	(5,041)
Auditor of Accounts	399,951	392,936	381,129	(11,807)
State Treasurer	1,114,016	1,278,060	1,249,052	(29,008)
State Labor Relations Board	194,699	198,927	198,058	(869)
VOSHA Review Board	26,583	33,984	10,608	(23,376)
Homeowner Property Tax Assistance	16,720,000	14,032,550	14,015,567	(16,983)
Renter Rebate Tax Assistance	2,500,000	2,630,000	2,629,150	(850)
<b>Protection to Persons and Property</b>				
Attorney General	4,990,687	5,412,513	5,008,310	(404,203)
Defender General	11,340,341	11,616,387	11,264,790	(351,597)
Judiciary	30,944,988	31,561,793	31,561,781	(12)
State's Attorneys and Sheriffs	12,936,335	13,229,268	12,647,346	(581,922)
Department of Public Safety	27,833,355	27,258,401	25,477,259	(1,781,142)
Military Department	3,432,624	3,526,446	3,351,944	(174,502)
Center Crime Victim Services	1,118,448	1,101,498	1,101,498	-
Criminal Justice Training Council	1,592,462	1,722,245	1,587,040	(135,205)
Agency of Agriculture, Food and Markets	5,328,396	6,493,154	5,263,364	(1,229,790)
Secretary of State	2,381,157	2,305,190	2,155,954	(149,236)
Public Service Department	-	250,000	-	(250,000)
Human Rights Commission	318,255	334,972	305,731	(29,241)
<b>Human Services</b>				
Agency of Human Services	457,312,418	494,378,947	466,704,099	(27,674,848)
Governor's Commission on Women	296,822	306,993	290,715	(16,278)
Human Services Board	49,713	119,962	119,962	-
<b>Labor</b>				
Department of Labor	2,561,430	6,020,053	2,445,571	(3,574,482)
<b>General Education</b>				
Department of Education	8,696,556	9,604,550	8,836,270	(768,280)
State Teachers' Retirement	46,913,381	46,913,381	46,913,381	-
Higher Education	85,895,268	86,115,278	86,115,270	(8)

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**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**GENERAL FUND (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Expenditures</b>				
<b>Natural Resources</b>				
Agency of Natural Resources	19,592,759	21,225,293	19,399,437	(1,825,856)
Natural Resources Board	766,716	802,393	802,393	-
<b>Commerce and Community Development</b>				
Agency of Commerce and Community Development	12,759,545	16,002,567	12,899,384	(3,103,183)
Cultural Development	1,589,767	1,589,767	1,589,767	-
Vermont Telecommunications Authority	-	2,850,000	2,850,000	-
Vermont Housing and Conservation Board	-	752,031	752,031	-
<b>Transportation</b>				
Agency of Transportation	-	132,010	23,570	(108,440)
<b>Debt Service</b>				
Principal and Interest	65,804,622	65,804,622	65,804,621	(1)
<b>Total expenditures</b>	<u>886,922,913</u>	<u>955,996,626</u>	<u>886,500,437</u>	<u>(69,496,189)</u>
<b>Excess of revenues over expenditures</b>	<u>203,477,087</u>	<u>161,503,374</u>	<u>281,221,240</u>	<u>119,717,866</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	16,350,860	51,197,875	51,197,875	-
Transfers out	<u>(245,913,429)</u>	<u>(251,749,307)</u>	<u>(251,749,307)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(229,562,569)</u>	<u>(200,551,432)</u>	<u>(200,551,432)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under)     expenditures and other uses</b>	<u>(26,085,482)</u>	<u>(39,048,058)</u>	<u>80,669,808</u>	<u>119,717,866</u>
<b>Fund balance, July 1</b>	<u>107,821,513</u>	<u>107,821,513</u>	<u>107,821,513</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 81,736,031</u>	<u>\$ 68,773,455</u>	<u>\$ 188,491,321</u>	<u>\$ 119,717,866</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**TRANSPORTATION FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Taxes	\$ 144,700,000	\$ 145,100,000	\$ 128,957,324	\$ (16,142,676)
Motor vehicle fees	72,900,000	73,100,000	72,322,010	(777,990)
Federal	275,885,087	291,453,572	249,145,491	(42,308,081)
Other	38,055,087	39,152,490	46,646,605	7,494,115
<b>Total revenues</b>	<u>531,540,174</u>	<u>548,806,062</u>	<u>497,071,430</u>	<u>(51,734,632)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Sergeant at Arms	2,288,340	-	-	-
<b>Protection to Persons and Property</b>				
Department of Public Safety	27,635,057	30,183,931	29,866,389	(317,542)
<b>Transportation</b>				
Agency of Transportation	484,163,888	521,876,203	450,457,149	(71,419,054)
<b>Debt service</b>				
Principal and Interest	4,077,902	4,413,717	4,413,715	(2)
<b>Total expenditures</b>	<u>518,165,187</u>	<u>556,473,851</u>	<u>484,737,253</u>	<u>(71,736,598)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>13,374,987</u>	<u>(7,667,789)</u>	<u>12,334,177</u>	<u>20,001,966</u>
<b>Other financing sources (uses)</b>				
Transfers out	(3,088,072)	(4,079,635)	(4,079,635)	-
<b>Total other financing sources (uses)</b>	<u>(3,088,072)</u>	<u>(4,079,635)</u>	<u>(4,079,635)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	10,286,915	(11,747,424)	8,254,542	20,001,966
<b>Fund balance, July 1</b>	<u>12,375,682</u>	<u>12,375,682</u>	<u>12,375,682</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 22,662,597</u>	<u>\$ 628,258</u>	<u>\$ 20,630,224</u>	<u>\$ 20,001,966</u>

The accompanying notes are an integral part of the required supplementary information

STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
EDUCATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
<b>Revenues</b>				
Taxes	\$ 889,784,692	\$1,049,965,080	\$1,053,577,879	\$ 3,612,799
Interest and premiums	200,000	100,000	52,155	(47,845)
<b>Total revenues</b>	<u>889,984,692</u>	<u>1,050,065,080</u>	<u>1,053,630,034</u>	<u>3,564,954</u>
<b>Expenditures</b>				
<b>General Government</b>				
Grand List	3,243,196	3,263,196	3,237,946	(25,250)
Renter Rebates	5,800,000	5,800,000	5,800,000	-
<b>General Education</b>				
Department of Education	<u>1,305,042,881</u>	<u>1,310,750,669</u>	<u>1,295,367,629</u>	<u>(15,383,040)</u>
<b>Total expenditures</b>	<u>1,314,086,077</u>	<u>1,319,813,865</u>	<u>1,304,405,575</u>	<u>(15,408,290)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(424,101,385)</u>	<u>(269,748,785)</u>	<u>(250,775,541)</u>	<u>18,973,244</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>262,224,089</u>	<u>256,157,714</u>	<u>256,157,714</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>262,224,089</u>	<u>256,157,714</u>	<u>256,157,714</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(161,877,296)</u>	<u>(13,591,071)</u>	<u>5,382,173</u>	<u>18,973,244</u>
<b>Fund balance, July 1</b>	<u>43,742,482</u>	<u>43,742,482</u>	<u>43,742,482</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ (118,134,814)</u>	<u>\$ 30,151,411</u>	<u>\$ 49,124,655</u>	<u>\$ 18,973,244</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**SPECIAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Special Fund Revenues	\$ 235,197,363	\$ 333,238,997	\$ 279,512,981	\$ (53,726,016)
<b>Total revenues</b>	<u>235,197,363</u>	<u>333,238,997</u>	<u>279,512,981</u>	<u>(53,726,016)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Agency of Administration	13,481,618	31,622,874	21,937,243	(9,685,631)
Executive Office	193,500	193,500	193,500	-
Legislative Council	-	70,235	70,235	-
Joint Fiscal Office	-	412,424	56,607	(355,817)
Auditor of Accounts	53,099	53,099	53,099	-
State Treasurer	1,739,692	2,204,692	2,142,606	(62,086)
State Labor Relations Board	5,576	7,351	5,591	(1,760)
VOSHA Review Board	26,583	26,583	10,612	(15,971)
Unorganized Towns and Gores	-	304,629	171,216	(133,413)
<b>Protection to Persons and Property</b>				
Attorney General	3,439,124	3,884,992	3,757,025	(127,967)
Defender General	638,552	647,085	439,418	(207,667)
Judiciary	5,183,590	6,189,296	6,112,736	(76,560)
State's Attorneys and Sheriffs	2,174,923	2,576,928	2,330,760	(246,168)
Department of Public Safety	12,798,932	14,434,280	13,283,505	(1,150,775)
Military Department	83,529	87,839	87,839	-
Center Crime Victim Services	5,550,448	5,561,570	5,093,464	(468,106)
Criminal Justice Training Council	895,793	837,962	672,150	(165,812)
Agency of Agriculture, Food and Markets	7,691,500	8,568,980	7,489,045	(1,079,935)
Banking, Insurance, Securities and Health Care Administration	14,096,063	14,149,272	12,985,838	(1,163,434)
Secretary of State	4,909,524	5,978,936	5,336,536	(642,400)
Public Service Department	12,180,237	14,104,730	11,084,497	(3,020,233)
Public Service Board	2,814,863	2,992,388	2,684,082	(308,306)
Enhanced 911 Board	4,605,803	4,586,904	4,493,457	(93,447)
Department of Liquor Control	250,000	491,499	481,157	(10,342)
<b>Human Services</b>				
Agency of Human Services	69,694,029	84,727,614	76,941,582	(7,786,032)
Governor's Commission on Women	5,000	5,000	-	(5,000)
Human Services Board	150,492	85,492	85,492	-
Vermont Veterans Home	11,615,802	11,990,789	10,798,162	(1,192,627)
<b>Labor</b>				
Department of Labor	6,582,791	8,384,254	5,741,587	(2,642,667)
<b>General Education</b>				
Department of Education	54,344,585	73,668,986	54,971,983	(18,697,003)
Higher Education	2,663,250	2,663,250	2,663,250	-

*continued on next page*



STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
SPECIAL FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
<b>Expenditures</b>				
<b>Natural Resources</b>				
Agency of Natural Resources	30,136,145	35,114,114	28,942,745	(6,171,369)
Natural Resources Board	1,965,886	2,021,306	1,989,070	(32,236)
<b>Commerce and Community Development</b>				
Agency of Commerce and Community Development	5,311,677	7,340,174	5,023,234	(2,316,940)
<b>Transportation</b>				
Agency of Transportation	100,000	459,943	231,002	(228,941)
<b>Public service enterprises</b>				
Public service department	-	6,000,000	2,475,013	(3,524,987)
<b>Debt Service</b>				
Principal and Interest	1,026,225	1,026,225	1,026,225	-
<b>Total expenditures</b>	<u>276,408,831</u>	<u>353,475,195</u>	<u>291,861,563</u>	<u>(61,613,632)</u>
<b>Excess of revenues over expenditures</b>	<u>(41,211,468)</u>	<u>(20,236,198)</u>	<u>(12,348,582)</u>	<u>7,887,616</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,773,673	53,425,927	53,425,927	-
Transfers out	<u>(9,562,205)</u>	<u>(33,189,729)</u>	<u>(33,189,729)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>41,211,468</u>	<u>20,236,198</u>	<u>20,236,198</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	-	-	7,887,616	7,887,616
<b>Fund balance, July 1</b>	<u>74,458,235</u>	<u>74,458,235</u>	<u>74,458,235</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 74,458,235</u>	<u>\$ 74,458,235</u>	<u>\$ 82,345,851</u>	<u>\$ 7,887,616</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**FEDERAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Over (Under)</b>
<b>Revenues</b>				
Federal	\$1,277,932,227	\$1,264,763,742	\$1,264,228,846	\$ (534,896)
Interest and premiums	-	39,722	39,722	-
Other	-	-	2,113	2,113
<b>Total revenues</b>	<u>1,277,932,227</u>	<u>1,264,803,464</u>	<u>1,264,270,681</u>	<u>(532,783)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Agency of Administration	955,372	20,422,669	3,226,847	(17,195,822)
State Treasurer	-	357,208	357,207	(1)
<b>Protection to Persons and Property</b>				
Attorney General	707,526	707,526	562,183	(145,343)
Judiciary	1,435,418	1,560,418	1,177,147	(383,271)
State's Attorneys and Sheriffs	31,000	98,766	46,422	(52,344)
Department of Public Safety	27,243,313	31,243,267	23,582,264	(7,661,003)
Military Department	18,243,562	18,243,562	16,092,811	(2,150,751)
Center Crime Victim Services	4,010,399	4,010,399	3,740,120	(270,279)
Agency of Agriculture, Food and Markets	2,153,732	2,463,732	2,257,594	(206,138)
Banking, Insurance, Securities and Health Care Administration	-	857,734	182,558	(675,176)
Secretary of State	2,000,000	2,000,000	787,048	(1,212,952)
Public Service Department	1,157,800	1,157,800	747,178	(410,622)
Human Rights Commission	170,739	170,739	143,166	(27,573)
<b>Human Services</b>				
Agency of Human Services	1,024,497,370	1,044,444,996	995,815,701	(48,629,295)
Human Services Board	150,493	150,493	113,067	(37,426)
Agency of Administration	-	3,161,799	1,920,390	(1,241,409)
Vermont Veterans' Home	6,031,685	6,031,685	6,031,685	-
<b>Labor</b>				
Department of Labor	23,172,655	23,172,655	22,766,700	(405,955)
<b>General Education</b>				
Department of Education	128,720,522	129,238,259	114,738,575	(14,499,684)
<b>Natural Resources</b>				
Agency of Natural Resources	14,659,151	43,560,915	38,633,485	(4,927,430)
<b>Commerce and Community Development</b>				
Agency of Commerce and Community Development	21,843,850	36,268,399	17,336,742	(18,931,657)
<b>Total expenditures</b>	<u>1,277,184,587</u>	<u>1,369,323,021</u>	<u>1,250,258,890</u>	<u>(119,064,131)</u>
<b>Excess of revenues over expenditures</b>	<u>747,640</u>	<u>(104,519,557)</u>	<u>14,011,791</u>	<u>118,531,348</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(17,074,283)	(23,271,017)	(23,271,017)	-
<b>Total other financing sources (uses)</b>	<u>(17,074,283)</u>	<u>(23,271,017)</u>	<u>(23,271,017)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(16,326,643)</u>	<u>(127,790,574)</u>	<u>(9,259,226)</u>	<u>118,531,348</u>
<b>Fund balance (deficit), July 1</b>	<u>45,627,061</u>	<u>45,627,061</u>	<u>45,627,061</u>	<u>-</u>
<b>Fund balance (deficit), June 30</b>	<u>\$ 29,300,418</u>	<u>\$ (82,163,513)</u>	<u>\$ 36,367,835</u>	<u>\$ 118,531,348</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**GLOBAL COMMITMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Global Commitment Premiums	<u>\$1,063,500,000</u>	<u>\$1,053,600,000</u>	<u>\$1,047,364,322</u>	<u>\$ (6,235,678)</u>
<b>Total revenues</b>	<u>1,063,500,000</u>	<u>1,053,600,000</u>	<u>1,047,364,322</u>	<u>(6,235,678)</u>
<b>Expenditures</b>				
<b>Protection to Persons and Property</b>				
Banking, Insurance, Securities and Health Care Administration	1,898,824	1,898,824	1,898,343	(481)
<b>Human Services</b>				
Agency of Human Services	1,074,069,359	1,045,414,852	990,272,078	(55,142,774)
Vermont Veterans' Home	1,410,956	1,410,956	1,410,956	-
<b>General Education</b>				
Department of Education	4,411,563	4,411,563	4,411,563	-
Higher Education	<u>1,053,092</u>	<u>1,053,092</u>	<u>987,895</u>	<u>(65,197)</u>
<b>Total expenditures</b>	<u>1,082,843,794</u>	<u>1,054,189,287</u>	<u>998,980,835</u>	<u>(55,208,452)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(19,343,794)</u>	<u>(589,287)</u>	<u>48,383,487</u>	<u>48,972,774</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(23,570,491)</u>	<u>(23,570,491)</u>	<u>(23,570,491)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(23,570,491)</u>	<u>(23,570,491)</u>	<u>(23,570,491)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(42,914,285)</u>	<u>(24,159,778)</u>	<u>24,812,996</u>	<u>48,972,774</u>
<b>Fund balance, July 1</b>	<u>61,860,271</u>	<u>61,860,271</u>	<u>61,860,271</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 18,945,986</u>	<u>\$ 37,700,493</u>	<u>\$ 86,673,267</u>	<u>\$ 48,972,774</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**AMERICAN RECOVERY AND REINVESTMENT ACT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Federal	\$ 346,900,000	\$ 344,600,000	\$ 339,423,063	\$ (5,176,937)
Interest and principal	-	3,664	3,664	-
Other	-	-	2,567	2,567
<b>Total revenues</b>	<u>346,900,000</u>	<u>344,603,664</u>	<u>339,429,294</u>	<u>(5,174,370)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Agency of Administration	38,575,036	41,984,690	38,752,099	(3,232,591)
<b>Protection to Persons and Property</b>				
Department of Public Safety	1,905,926	3,154,269	1,810,994	(1,343,275)
Center for Crime Victim Services	571,809	709,553	596,723	(112,830)
Public Service Department	15,796,250	15,796,250	12,007,572	(3,788,678)
Public Service Board	265,834	265,834	170,193	(95,641)
<b>Human Services</b>				
Agency of Human Services	154,080,195	167,374,533	140,940,905	(26,433,628)
<b>Labor</b>				
Department of Labor	4,571,772	4,571,772	1,784,365	(2,787,407)
<b>General Education</b>				
Department of Education	46,719,169	46,719,169	28,967,323	(17,751,846)
<b>Natural Resources</b>				
Agency of Natural Resources	1,467,187	21,140,182	16,742,869	(4,397,313)
<b>Commerce and Community Development</b>				
Agency of Commerce and Community Development	1,529,195	2,460,302	1,087,112	(1,373,190)
<b>Transportation</b>				
Agency of Transportation	80,756,516	84,044,984	66,280,301	(17,764,683)
<b>Debt Service</b>				
Principal and interest	<u>667,565</u>	<u>667,565</u>	<u>667,564</u>	<u>(1)</u>
<b>Total expenditures</b>	<u>346,906,454</u>	<u>388,889,103</u>	<u>309,808,020</u>	<u>(79,081,083)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(6,454)</u>	<u>(44,285,439)</u>	<u>29,621,274</u>	<u>73,906,713</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(3,833,897)</u>	<u>(3,833,897)</u>	<u>(3,833,897)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(3,833,897)</u>	<u>(3,833,897)</u>	<u>(3,833,897)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(3,840,351)</u>	<u>(48,119,336)</u>	<u>25,787,377</u>	<u>73,906,713</u>
<b>Fund balance (deficit), July 1</b>	<u>(27,397,829)</u>	<u>(27,397,829)</u>	<u>(27,397,829)</u>	<u>-</u>
<b>Fund balance (deficit), June 30</b>	<u>\$ (31,238,180)</u>	<u>\$ (75,517,165)</u>	<u>\$ (1,610,452)</u>	<u>\$ 73,906,713</u>

The accompanying notes are an integral part of the required supplementary information

STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
STATE HEALTH CARE RESOURCES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
State Health Care Resources Fund Revenues	\$ 175,100,000	\$ 181,800,000	\$ 181,630,334	\$ (169,666)
<b>Total revenues</b>	<u>175,100,000</u>	<u>181,800,000</u>	<u>181,630,334</u>	<u>(169,666)</u>
<b>Expenditures</b>				
<b>Human Services</b>				
Agency of Human Services	<u>176,395,700</u>	<u>181,036,508</u>	<u>180,441,590</u>	<u>(594,918)</u>
<b>Total expenditures</b>	<u>176,395,700</u>	<u>181,036,508</u>	<u>180,441,590</u>	<u>(594,918)</u>
<b>Excess of revenues over (under) expenditures</b>	(1,295,700)	763,492	1,188,744	425,252
<b>Fund balance (deficit), July 1</b>	<u>3,904,454</u>	<u>3,904,454</u>	<u>3,904,454</u>	<u>-</u>
<b>Fund balance (deficit), June 30</b>	<u><u>\$ 2,608,754</u></u>	<u><u>\$ 4,667,946</u></u>	<u><u>\$ 5,093,198</u></u>	<u><u>\$ 425,252</u></u>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**TOBACCO TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Tobacco Trust Funds Revenue	\$ 42,192,434	\$ 42,269,948	\$ 36,267,525	\$ (6,002,423)
Other	-	-	8,250	8,250
<b>Total revenues</b>	<u>42,192,434</u>	<u>42,269,948</u>	<u>36,275,775</u>	<u>(5,994,173)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Agency of administration	58,000	58,000	58,000	-
<b>Protection to Persons and Property</b>				
Attorney General	625,000	652,509	406,285	(246,224)
Judiciary	39,871	39,871	39,871	-
Department of Liquor Control	296,306	285,284	285,284	-
<b>Human Services</b>				
Agency of Human Services	40,184,340	40,252,340	40,011,273	(241,067)
<b>General Education</b>				
Department of Education	<u>988,917</u>	<u>981,944</u>	<u>890,293</u>	<u>(91,651)</u>
<b>Total expenditures</b>	<u>42,192,434</u>	<u>42,269,948</u>	<u>41,691,006</u>	<u>(578,942)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(5,415,231)</u>	<u>(5,415,231)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(17,995)</u>	<u>(17,995)</u>	<u>(17,995)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(17,995)</u>	<u>(17,995)</u>	<u>(17,995)</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(17,995)</u>	<u>(17,995)</u>	<u>(5,433,226)</u>	<u>(5,415,231)</u>
<b>Fund balance, July 1</b>	<u>22,537,724</u>	<u>22,537,724</u>	<u>22,537,724</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 22,519,729</u>	<u>\$ 22,519,729</u>	<u>\$ 17,104,498</u>	<u>\$ (5,415,231)</u>

The accompanying notes are an integral part of the required supplementary information

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**CATAMOUNT BUDGET**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
<b>Revenues</b>				
Catamount Fund Revenues	\$ 21,700,000	\$ 22,700,000	\$ 23,291,835	\$ 591,835
<b>Total revenues</b>	<u>21,700,000</u>	<u>22,700,000</u>	<u>23,291,835</u>	<u>591,835</u>
<b>Expenditures</b>				
<b>Human Services</b>				
Agency of Human Services	21,586,514	21,586,514	21,586,514	-
<b>Labor</b>				
Department of Labor	<u>394,072</u>	<u>394,072</u>	<u>374,677</u>	<u>(19,395)</u>
<b>Total expenditures</b>	<u>21,980,586</u>	<u>21,980,586</u>	<u>21,961,191</u>	<u>(19,395)</u>
<b>Excess of revenues over (under) expenditures</b>	(280,586)	719,414	1,330,644	611,230
<b>Fund balance, July 1</b>	<u>881,686</u>	<u>881,686</u>	<u>881,686</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 601,100</u>	<u>\$ 1,601,100</u>	<u>\$ 2,212,330</u>	<u>\$ 611,230</u>

The accompanying notes are an integral part of the required supplementary information.

## **Note to the Required Supplementary Information—Budgetary Reporting (unaudited)**

### **Budgetary Comparison Schedules**

The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 5th Floor, Pavilion Building, Montpelier, Vermont 05609-0401

### **Budgetary Process**

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually, at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

### **Budgetary Funds**

Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, Tobacco Trust and Catamount Funds. These funds are presented separately in the accompanying schedules. The budgetary basis American Recovery and Reinvestment Act Fund includes certain portions of the GAAP basis Transportation and Federal Revenue Funds. These funds are presented on a budgetary basis in the accompanying schedules.

### **Revenue Estimates**

By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, Catamount, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special, Federal Revenue, and American Recovery and Reinvestment Act Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

### **Expenditure and Transfer Budgets**

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed \$50,000 made under any appropriation act for



the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

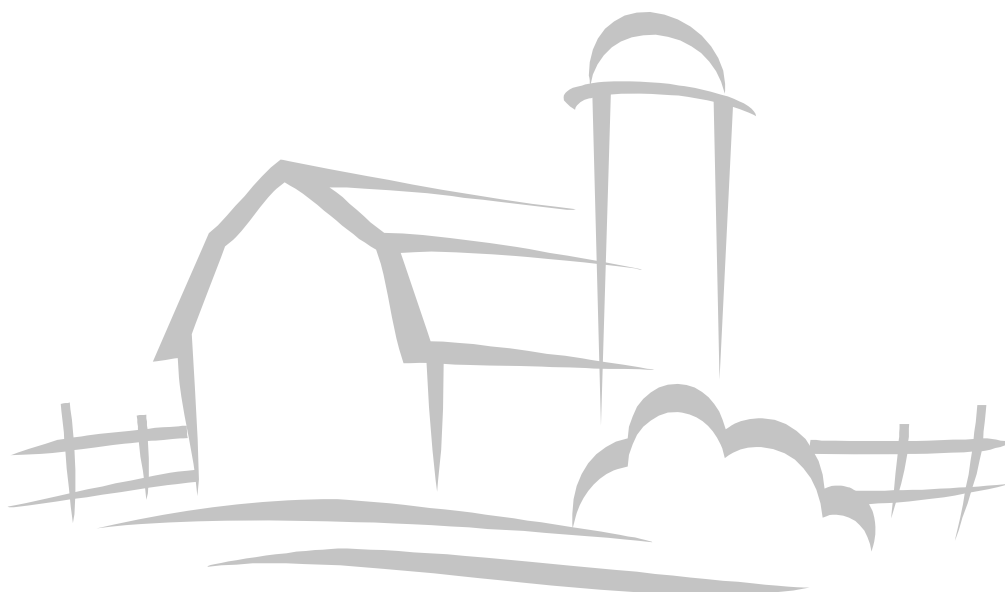
### Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2011.

	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund	ARRA Fund
<b>Fund Balance - Budgetary Basis</b>	\$ 188,491,321	\$ 20,630,224	\$ 49,124,655	\$ 36,367,835	\$ 86,673,267	\$ (1,610,452)
<b>Basis differences</b>						
Cash not in budget balances	1,516,254	(11,876)	680	1,511	-	1,507,274
Taxes receivable	171,126,714	9,631,220	13,245,702	-	-	-
Notes and loans receivable	557,999	-	-	206,809,166	-	756,562
Other receivables	7,061,560	8,794,274	875,543	1,768,831	23,625,126	(10,355)
Interest receivable	11,936	119	-	13,776	-	628
Due from other funds	802,291	181,069	-	330,840	34,330,547	-
Due from federal government	376,253	29,561,030	-	56,105,556	55,672,296	19,193,664
Due from component units	73,269	-	-	493,626	-	-
Accounts payable	(19,634,680)	(35,985,909)	(11,466,991)	(33,586,985)	(78,200,321)	(11,321,120)
Accrued liabilities	(7,890,805)	(3,827,643)	-	(3,387,412)	(1,696,994)	(38,851)
Retainage payable	(66,618)	(167,799)	-	(291,700)	(302,357)	(107,831)
Deferred revenue	(110,159,075)	(10,879,587)	(2,858,065)	(7,764,762)	(11,997,730)	(1,714,322)
Tax refunds payable	(5,356,351)	-	(162,735)	-	-	-
Intergovernment payables	-	-	-	(5,112,750)	-	(96,513)
Due to other funds	(12,534,050)	(62,042)	(10,195)	(938,192)	(34,195)	(29,280)
Due to component units	-	-	-	-	-	-
<b>Entity differences</b>						
Blended non-budgeted funds	-	3,037,607	-	59,730,762	-	-
<b>Perspective differences</b>						
Component unit included in budgeted funds	-	-	-	3,812,149	-	-
Budgeted funds reclassified to GAAP basis major governmental fund	-	(564,141)	-	7,093,545	-	(6,529,404)
<b>Fund Balance - GAAP Basis</b>	<u>\$ 214,376,018</u>	<u>\$ 20,336,546</u>	<u>\$ 48,748,594</u>	<u>\$ 321,445,796</u>	<u>\$ 108,069,639</u>	<u>\$ -</u>

	Budget Basis Funds				GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Catamount Fund	Special Fund
<b>Fund Balance - Budgetary Basis</b>	\$ 82,345,851	\$ 5,093,198	\$ 17,104,498	\$ 2,212,330	\$ -
<b>Basis differences</b>					
Cash not in budget balances	1,570,104	-	-	22,748	1,592,852
Preferred stock investment	100,000	-	-	-	100,000
Taxes receivable	3,004,776	1,113,711	-	-	4,118,487
Notes and loans receivable	1,211,843	-	-	-	1,211,843
Other receivables	11,459,492	1,496	-	258,093	11,719,081
Due from other funds	1,922,914	-	-	-	1,922,914
Due from component units	62,827	-	-	-	62,827
Accounts payable	(13,532,618)	(186)	(139,785)	-	(13,672,589)
Accrued liabilities	(2,364,815)	-	(20,406)	-	(2,385,221)
Retainage payable	(16,915)	-	-	-	(16,915)
Deferred revenue	(10,868,444)	(297,379)	-	(181,907)	(11,347,730)
Tax refunds payable	(558)	(2,981)	-	-	(3,539)
Due to other funds	(531,023)	(17,216,903)	(2,873,288)	(1,863,359)	(22,484,573)
<b>Entity differences</b>					
Blended non-budgeted funds	12,611,622	-	-	-	12,611,622
Blended component unit	439,375	-	-	-	439,375
<b>Perspective differences</b>					
Component unit included in budgeted funds	(5,482,369)	-	-	-	(5,482,369)
Budgeted funds reclassified to GAAP basis enterprise fund	(29,106)	-	-	-	(29,106)
Budgeted funds reclassified to GAAP basis major governmental fund	(81,902,956)	11,309,044	(14,071,019)	(447,905)	106,755,877
<b>Fund Balance - GAAP Basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,112,836</u>

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***Other Supplementary Information***

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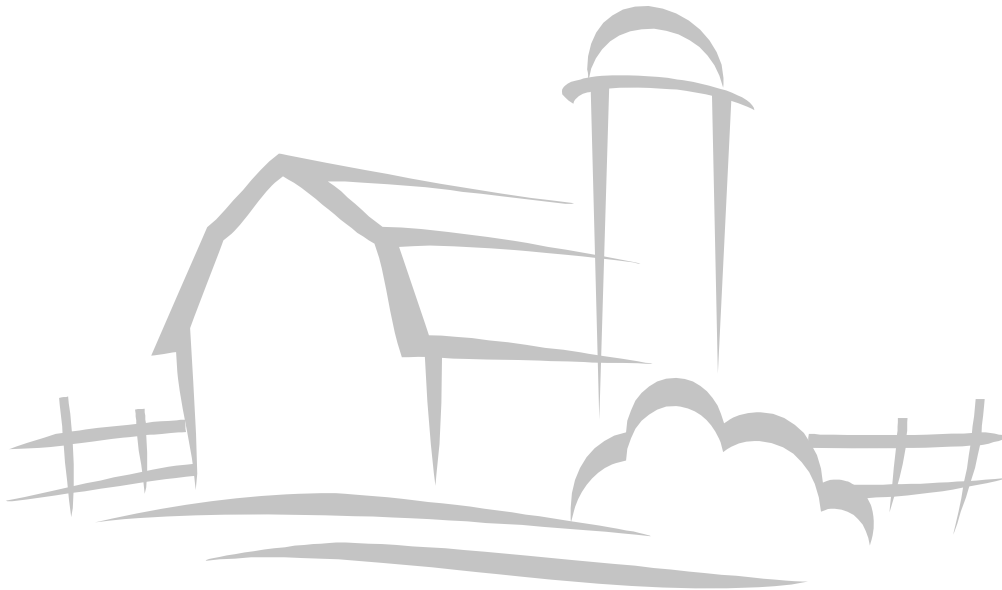


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## ***COMBINING FINANCIAL STATEMENTS***

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**Fish & Wildlife Fund** – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department’s mission is to protect and conserve the State’s fish, wildlife, plants and their habitats for the people of Vermont.

**General Obligation Bond Projects Fund** – This fund accounts for general capital improvement expenditures funded by the issuance of State general obligation bonds.

**Transportation Infrastructure Bond Projects Fund** – This fund accounts for transportation capital improvement expenditures funded by the issuance of Transportation Infrastructure Special Obligation bonds.

**General Obligation Debt Service Fund**—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for general obligation bond principal and interest.

**Transportation Infrastructure Debt Service Fund**—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for transportation infrastructure special obligation bond principal and interest.

**Higher Education Endowment Fund** – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

**Vermont Sanitorium Fund** – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

**Albert C. Lord Trust Fund** – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

**Lumberjack Fund** – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

**Couching Lion Farm Cemetery Fund** – This is a permanent fund whose income is to provide for the care of a private cemetery in Camel’s Hump State Park.

**Carrie P. Underwood Fund** – This is a permanent fund whose income is to be used to provide aid to poor libraries and to otherwise promote the library interests of the State.

**Laura H. Morgan Fund**— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

**Bennington Battle Monument Fund** – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

**Zenus H. Ellis Fund** – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.



**STATE OF VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Obligation Bond Projects Fund</u>	<u>Transportation Infrastructure Bond Projects Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 2,372,829	\$ 41,040,493	\$ 1,003,601
Investments.....	3,758,030	-	-
Receivables			
Taxes receivable.....	103,028	-	-
Other receivables.....	545,410	256	-
Intergovernmental receivables - federal government.....	542,537	-	-
Due from other funds.....	6,622	2,576	-
<b>Total assets.....</b>	<u>\$ 7,328,456</u>	<u>\$ 41,043,325</u>	<u>\$ 1,003,601</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable.....	\$ 840,210	\$ 3,935,408	\$ 406,901
Accrued liabilities.....	400,442	-	-
Retainage payable.....	42,067	1,324,618	-
Due to other funds.....	24,074	42,931	-
Due to component units.....	-	6,226,393	-
Deferred revenue.....	595	-	-
<b>Total liabilities.....</b>	<u>1,307,388</u>	<u>11,529,350</u>	<u>406,901</u>
<b>FUND BALANCES</b>			
Nonspendable			
Permanent Fund principal.....	-	-	-
Restricted.....	-	30,845,643	596,700
Committed.....	6,021,068	-	-
Unassigned.....	-	(1,331,668)	-
<b>Total fund balances.....</b>	<u>6,021,068</u>	<u>29,513,975</u>	<u>596,700</u>
<b>Total liabilities and fund balances.....</b>	<u>\$ 7,328,456</u>	<u>\$ 41,043,325</u>	<u>\$ 1,003,601</u>

See Independent Auditors' Report

Debt Service		Permanent Funds		
General Obligation Debt Service Fund	Transportation Infrastructure Debt Service Fund	Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund
\$ 1,388,121	\$ 1,986,575	\$ 11,030,026	\$ 63,616	\$ 97,981
-	-	19,739,012	276,116	244,982
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,388,121</u>	<u>\$ 1,986,575</u>	<u>\$ 30,769,038</u>	<u>\$ 339,732</u>	<u>\$ 342,963</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	7,000,000	206,502	183,217
-	1,986,575	-	133,230	159,746
1,388,121	-	23,769,038	-	-
-	-	-	-	-
<u>1,388,121</u>	<u>1,986,575</u>	<u>30,769,038</u>	<u>339,732</u>	<u>342,963</u>
<u>\$ 1,388,121</u>	<u>\$ 1,986,575</u>	<u>\$ 30,769,038</u>	<u>\$ 339,732</u>	<u>\$ 342,963</u>

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STATE OF VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Permanent Funds		
	Lumberjack Fund	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 17,666	\$ 20,743	\$ 8,343
Investments.....	12,206	2,581	14,856
Receivables			
Taxes receivable.....	-	-	-
Other receivables.....	-	-	-
Intergovernmental receivables - federal government.....	-	-	-
Due from other funds.....	-	-	-
<b>Total assets.....</b>	<b>\$ 29,872</b>	<b>\$ 23,324</b>	<b>\$ 23,199</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable.....	\$ -	\$ -	\$ -
Accrued liabilities.....	-	-	-
Retainage payable.....	-	-	-
Due to other funds.....	-	-	-
Due to component units.....	-	-	-
Deferred revenue.....	-	-	-
<b>Total liabilities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable			
Permanent Fund principal.....	9,129	1,930	11,110
Restricted.....	20,743	21,394	12,089
Committed.....	-	-	-
Unassigned.....	-	-	-
<b>Total fund balances.....</b>	<b>29,872</b>	<b>23,324</b>	<b>23,199</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 29,872</b>	<b>\$ 23,324</b>	<b>\$ 23,199</b>

Permanent Funds			Total Non-major Governmental Funds
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	
\$ 1,355	\$ -	\$ -	\$ 59,031,349
3,343	2,388	2,235	24,055,749
-	-	-	103,028
-	-	-	545,666
-	-	-	542,537
-	-	-	9,198
<u>\$ 4,698</u>	<u>\$ 2,388</u>	<u>\$ 2,235</u>	<u>\$ 84,287,527</u>
\$ -	\$ -	\$ -	\$ 5,182,519
-	-	-	400,442
-	-	-	1,366,685
-	-	-	67,005
-	-	-	6,226,393
-	-	-	595
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,243,639</u>
2,500	1,065	1,000	7,416,453
2,198	1,323	1,235	33,780,876
-	-	-	31,178,227
-	-	-	(1,331,668)
<u>4,698</u>	<u>2,388</u>	<u>2,235</u>	<u>71,043,888</u>
<u>\$ 4,698</u>	<u>\$ 2,388</u>	<u>\$ 2,235</u>	<u>\$ 84,287,527</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Obligation Bond Projects Fund</u>	<u>Transportation Infrastructure Bond Projects Fund</u>
<b>REVENUES</b>			
Taxes			
Motor fuels tax.....	\$ 950,923	\$ -	\$ -
Earnings of departments			
Fees.....	171,135	-	-
Rents and leases.....	46,322	-	-
Sales of services.....	2,175	-	-
Federal grants.....	7,719,122	-	-
Fines, forfeits and penalties.....	10,884	-	-
Investment income.....	356,769	-	178
Licenses			
Business.....	1,320	-	-
Non-business.....	6,514,987	-	-
Special assessments.....	8,616	-	-
Other revenues.....	906,535	-	-
<b>Total revenues.....</b>	<b>16,688,788</b>	<b>-</b>	<b>178</b>
<b>EXPENDITURES</b>			
General government.....	-	27,691,725	-
Protection to persons and property.....	-	7,733,403	-
Human services.....	-	5,981,462	-
General education.....	-	11,404,771	-
Natural resources.....	16,575,259	4,818,266	-
Commerce and community development.....	-	7,993,022	-
Transportation.....	-	326	12,797,675
Debt service.....	-	-	-
<b>Total expenditures.....</b>	<b>16,575,259</b>	<b>65,622,975</b>	<b>12,797,675</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>113,529</b>	<b>(65,622,975)</b>	<b>(12,797,497)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of bonds.....	-	75,000,000	13,404,988
Premium on sale of bonds.....	-	-	213,981
Discount on sale of bonds.....	-	-	-
Transfers in.....	517,169	100,001	-
Transfers out.....	-	(5,866,297)	-
<b>Total other financing sources (uses).....</b>	<b>517,169</b>	<b>69,233,704</b>	<b>13,618,969</b>
<b>Net change in fund balances.....</b>	<b>630,698</b>	<b>3,610,729</b>	<b>821,472</b>
<b>Fund balances (deficit), July 1.....</b>	<b>5,390,370</b>	<b>25,903,246</b>	<b>(224,772)</b>
<b>Fund balances, June 30.....</b>	<b>\$ 6,021,068</b>	<b>\$ 29,513,975</b>	<b>\$ 596,700</b>

See Independent Auditors' Report

*continued on next page*

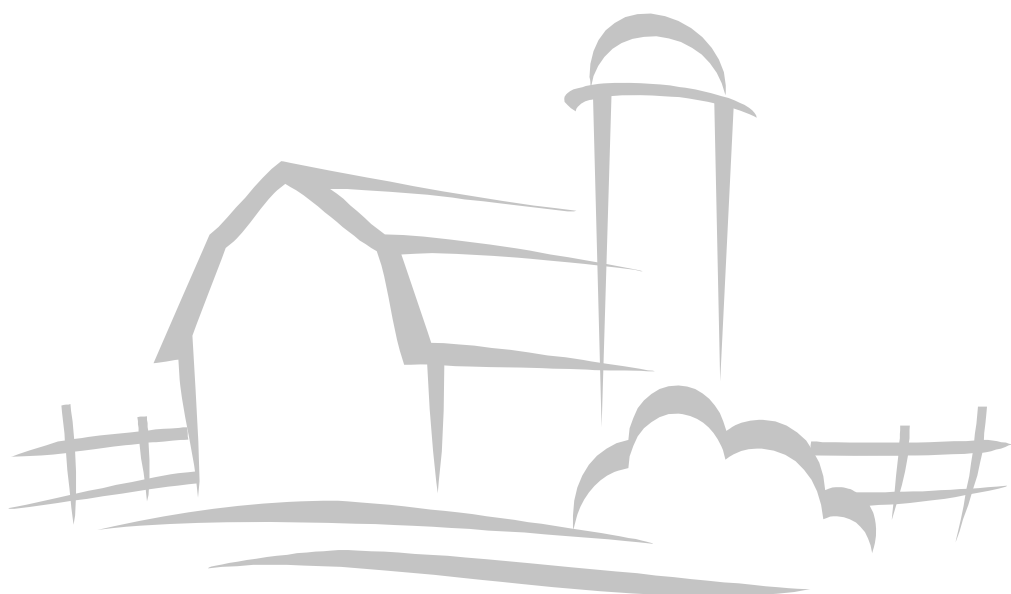
**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Permanent Funds		
	Lumberjack Fund	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund
<b>REVENUES</b>			
Taxes			
Motor fuels tax.....	\$ -	\$ -	\$ -
Earnings of departments			
Fees.....	-	-	-
Rents and leases.....	-	-	-
Sales of services.....	-	-	-
Federal grants.....	-	-	-
Fines, forfeits and penalties.....	-	-	-
Investment income.....	1,182	278	1,417
Licenses			
Business.....	-	-	-
Non-business.....	-	-	-
Special assessments.....	-	-	-
Other revenues.....	-	-	-
<b>Total revenues.....</b>	<b>1,182</b>	<b>278</b>	<b>1,417</b>
<b>EXPENDITURES</b>			
General government.....	-	-	-
Protection to persons and property.....	-	-	-
Human services.....	-	-	-
General education.....	-	-	-
Natural resources.....	-	-	-
Commerce and community development.....	-	-	-
Transportation.....	-	-	-
Debt service.....	-	-	-
<b>Total expenditures.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of revenues over (under)</b>			
<b>    expenditures.....</b>	<b>1,182</b>	<b>278</b>	<b>1,417</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of bonds.....	-	-	-
Premium on sale of bonds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
<b>Total other financing sources.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances.....</b>	<b>1,182</b>	<b>278</b>	<b>1,417</b>
<b>Fund balances (deficit), July 1.....</b>	<b>28,690</b>	<b>23,046</b>	<b>21,782</b>
<b>Fund balance, June 30.....</b>	<b>\$ 29,872</b>	<b>\$ 23,324</b>	<b>\$ 23,199</b>

Permanent Funds			Total Non-major Governmental Funds
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	
\$ -	\$ -	\$ -	\$ 950,923
-	-	-	171,135
-	-	-	46,322
-	-	-	2,175
-	-	-	7,719,122
-	-	-	10,884
317	225	211	2,307,295
-	-	-	1,320
-	-	-	6,514,987
-	-	-	8,616
-	-	-	906,535
317	225	211	18,639,314
-	-	-	27,691,725
-	-	-	7,733,403
-	-	-	5,991,462
-	-	-	12,643,431
-	-	-	21,393,525
-	-	-	7,993,022
-	-	-	12,798,001
-	-	-	71,912,126
-	-	-	168,156,695
317	225	211	(149,517,381)
-	-	-	89,400,000
-	-	-	1,602,102
-	-	-	84,550,885
-	-	-	(5,866,297)
-	-	-	169,686,690
317	225	211	20,169,309
4,381	2,163	2,024	50,874,579
\$ 4,698	\$ 2,388	\$ 2,235	\$ 71,043,888



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**Industrial Homework Office Fund** – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

**Federal Surplus Property Fund** – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

**Vermont Life Magazine Fund** – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the State's people, places and rich heritage.

**Municipal Equipment Loan Fund** – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

**Unemployment Compensation Contingency Fund** – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

**Electric Power Sales Fund**—This fund is used to account for the revenues and expenses for the purchase of wholesale electric power for resale to Vermont's utilities.

**STATE OF VERMONT  
COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2011**

	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	\$ 76,378	\$ -	\$ -
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowances for uncollectibles).....	-	940	143,388
Loans receivable.....	-	-	-
Due from other funds.....	-	195	-
Inventories, at cost.....	-	2,099	169,926
Prepaid expenses.....	-	-	137,255
<b>Total current assets.....</b>	<b>76,378</b>	<b>3,234</b>	<b>450,569</b>
<b>Restricted and Noncurrent Assets</b>			
Cash - subscription reserve fund.....	-	-	536,854
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	69,802
Imprest cash and change fund - advances.....	1,700	-	1,200
<b>Total restricted and noncurrent assets.....</b>	<b>1,700</b>	<b>-</b>	<b>607,856</b>
<b>Capital Assets</b>			
Capital assets being depreciated			
Machinery, equipment and buildings.....	-	-	5,809
Less accumulated depreciation.....	-	-	(1,533)
<b>Total capital assets, net of depreciation.....</b>	<b>-</b>	<b>-</b>	<b>4,276</b>
<b>Total restricted and noncurrent assets.....</b>	<b>1,700</b>	<b>-</b>	<b>612,132</b>
<b>Total assets.....</b>	<b>78,078</b>	<b>3,234</b>	<b>1,062,701</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable.....	-	138	167,160
Accrued salaries and benefits.....	-	336	60,905
Due to other funds.....	-	702	-
Interfund payable.....	-	705,875	1,266,726
Unearned revenue.....	-	2,099	31,635
Other current liabilities.....	-	-	214
<b>Total current liabilities.....</b>	<b>-</b>	<b>709,150</b>	<b>1,526,640</b>
<b>Long-term Liabilities</b>			
Unexpired subscriptions.....	-	-	536,854
Advances from other funds.....	1,700	-	1,200
<b>Total long-term liabilities.....</b>	<b>1,700</b>	<b>-</b>	<b>538,054</b>
<b>Total liabilities.....</b>	<b>1,700</b>	<b>709,150</b>	<b>2,064,694</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	-	-	4,276
Unrestricted (deficit).....	76,378	(705,916)	(1,006,269)
<b>Total net assets.....</b>	<b>\$ 76,378</b>	<b>\$ (705,916)</b>	<b>\$ (1,001,993)</b>

See Independent Auditors' Report

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Electric Power Sales Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 579,205	\$ 349,859	\$ 37,575	\$ 1,043,017
14,450	-	-	14,450
-	-	186,321	330,649
982,624	-	-	982,624
-	112,800	-	112,995
-	-	-	172,025
-	-	-	137,255
<u>1,576,279</u>	<u>462,659</u>	<u>223,896</u>	<u>2,793,015</u>
-	-	-	536,854
1,537,896	-	-	1,537,896
-	-	-	69,802
-	-	-	2,900
<u>1,537,896</u>	<u>-</u>	<u>-</u>	<u>2,147,452</u>
-	-	-	5,809
-	-	-	(1,533)
-	-	-	4,276
<u>1,537,896</u>	<u>-</u>	<u>-</u>	<u>2,151,728</u>
<u>3,114,175</u>	<u>462,659</u>	<u>223,896</u>	<u>4,944,743</u>
-	-	182,362	349,660
-	-	-	61,241
-	-	-	702
-	-	-	1,972,601
-	-	-	33,734
-	-	-	214
<u>-</u>	<u>-</u>	<u>182,362</u>	<u>2,418,152</u>
-	-	-	536,854
-	-	-	2,900
-	-	-	539,754
-	-	182,362	2,957,906
-	-	-	4,276
<u>3,114,175</u>	<u>462,659</u>	<u>41,534</u>	<u>1,982,561</u>
<u>\$ 3,114,175</u>	<u>\$ 462,659</u>	<u>\$ 41,534</u>	<u>\$ 1,986,837</u>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services.....	\$ -	\$ 16,485	\$ 1,075,831
Federal donated property.....	-	357,855	-
Advertising revenue.....	-	-	311,201
Other operating revenues.....	-	-	80,308
<b>Total operating revenues.....</b>	<b>-</b>	<b>374,340</b>	<b>1,467,340</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and services.....	-	357,855	473,582
Salaries and benefits.....	-	27,022	613,422
Insurance premium expense.....	-	406	6,404
Contractual services.....	-	-	262,271
Repairs and maintenance.....	-	128	234
Depreciation.....	-	-	1,533
Rental expense.....	-	12,372	1,069
Utilities and property management.....	-	2,548	18,599
Non-capital equipment purchased.....	-	-	5,927
Promotions and advertising.....	-	-	169,234
Administrative expenses.....	-	13,663	223
Supplies and parts.....	-	14	3,453
Distribution and postage.....	-	8,423	272,372
Travel.....	-	398	1,404
Other operating expenses.....	-	283	20,227
<b>Total operating expenses.....</b>	<b>-</b>	<b>423,112</b>	<b>1,849,954</b>
<b>Operating income (loss).....</b>	<b>-</b>	<b>(48,772)</b>	<b>(382,614)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income (expense).....	-	-	(973)
<b>Total nonoperating revenues (expenses).....</b>	<b>-</b>	<b>-</b>	<b>(973)</b>
<b>Income (loss) before transfers.....</b>	<b>-</b>	<b>(48,772)</b>	<b>(383,587)</b>
<b>TRANSFERS</b>			
Transfers in.....	-	250,000	-
Transfers out.....	-	-	-
<b>Total transfers.....</b>	<b>-</b>	<b>250,000</b>	<b>-</b>
<b>Change in net assets.....</b>	<b>-</b>	<b>201,228</b>	<b>(383,587)</b>
<b>Total net assets (deficit), July 1, as restated.....</b>	<b>76,378</b>	<b>(907,144)</b>	<b>(618,406)</b>
<b>Total net assets (deficit), June 30.....</b>	<b>\$ 76,378</b>	<b>\$ (705,916)</b>	<b>\$ (1,001,993)</b>

See Independent Auditors' Report

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Electric Power Sales Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ -	\$ -	\$ 2,524,657	\$ 3,616,973
-	-	-	357,855
-	-	-	311,201
<u>57,050</u>	<u>-</u>	<u>-</u>	<u>137,358</u>
<u>57,050</u>	<u>-</u>	<u>2,524,657</u>	<u>4,423,387</u>
-	-	2,455,824	3,287,261
-	-	12,048	652,492
-	-	-	6,810
-	-	-	262,271
-	-	-	362
-	-	-	1,533
-	-	756	14,197
-	-	94	21,241
-	-	33	5,960
-	-	-	169,234
-	22,000	16	35,902
-	-	78	3,545
-	-	-	280,795
-	-	-	1,802
-	-	-	20,510
<u>-</u>	<u>22,000</u>	<u>2,468,849</u>	<u>4,763,915</u>
<u>57,050</u>	<u>(22,000)</u>	<u>55,808</u>	<u>(340,528)</u>
<u>315</u>	<u>1,441</u>	<u>-</u>	<u>783</u>
<u>315</u>	<u>1,441</u>	<u>-</u>	<u>783</u>
<u>57,365</u>	<u>(20,559)</u>	<u>55,808</u>	<u>(339,745)</u>
-	641,253	-	891,253
-	(389,478)	-	(389,478)
-	251,775	-	501,775
57,365	231,216	55,808	162,030
<u>3,056,810</u>	<u>231,443</u>	<u>(14,274)</u>	<u>1,824,807</u>
<u>\$ 3,114,175</u>	<u>\$ 462,659</u>	<u>\$ 41,534</u>	<u>\$ 1,986,837</u>

**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers.....	\$ -	\$ 16,745	\$ 1,443,582
Cash paid to suppliers for goods and services.....	-	(38,332)	(1,309,031)
Cash paid to employees for services.....	-	(27,091)	(637,846)
Other operating revenues.....	-	-	80,308
Other operating expenses.....	-	(283)	(20,227)
<b>Net cash provided (used) by operating activities.....</b>	<b>-</b>	<b>(48,961)</b>	<b>(443,214)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out).....	-	250,000	-
Interfund loans and advances.....	-	(201,039)	447,021
<b>Net cash provided by noncapital financing activities.....</b>	<b>-</b>	<b>48,961</b>	<b>447,021</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets.....	-	-	(5,809)
<b>Net cash (used) by capital and related financing activities.....</b>	<b>-</b>	<b>-</b>	<b>(5,809)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments.....	-	-	(973)
<b>Net cash provided (used) by investing activities.....</b>	<b>-</b>	<b>-</b>	<b>(973)</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>-</b>	<b>-</b>	<b>(2,975)</b>
<b>Cash and cash equivalents, July 1.....</b>	<b>78,078</b>	<b>-</b>	<b>541,029</b>
<b>Cash and cash equivalents, June 30.....</b>	<b>\$ 78,078</b>	<b>\$ -</b>	<b>\$ 538,054</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ -	\$ (48,772)	\$ (382,614)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation and amortization.....	-	-	1,533
(Increase)/decrease in accounts/taxes receivable.....	-	260	66,393
(Increase)/decrease in loans receivable.....	-	-	-
(Increase)/decrease in accrued interest receivable.....	-	-	-
(Increase)/decrease in due from other funds.....	-	(195)	-
(Increase)/decrease in inventories.....	-	18,805	(32,934)
(Increase)/decrease in prepaid expenses.....	-	-	(57,775)
Increase/(decrease) in accounts payable.....	-	(185)	(3,607)
Increase/(decrease) in accrued salaries and benefits.....	-	(14)	(24,424)
Increase/(decrease) in due to other funds.....	-	(55)	-
Increase/(decrease) in deferred revenue.....	-	(18,805)	(7,830)
Increase/(decrease) in other liabilities.....	-	-	57
Increase/(decrease) in subscription reserves.....	-	-	(2,013)
<b>Total adjustments.....</b>	<b>-</b>	<b>(189)</b>	<b>(60,600)</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ -</b>	<b>\$ (48,961)</b>	<b>\$ (443,214)</b>

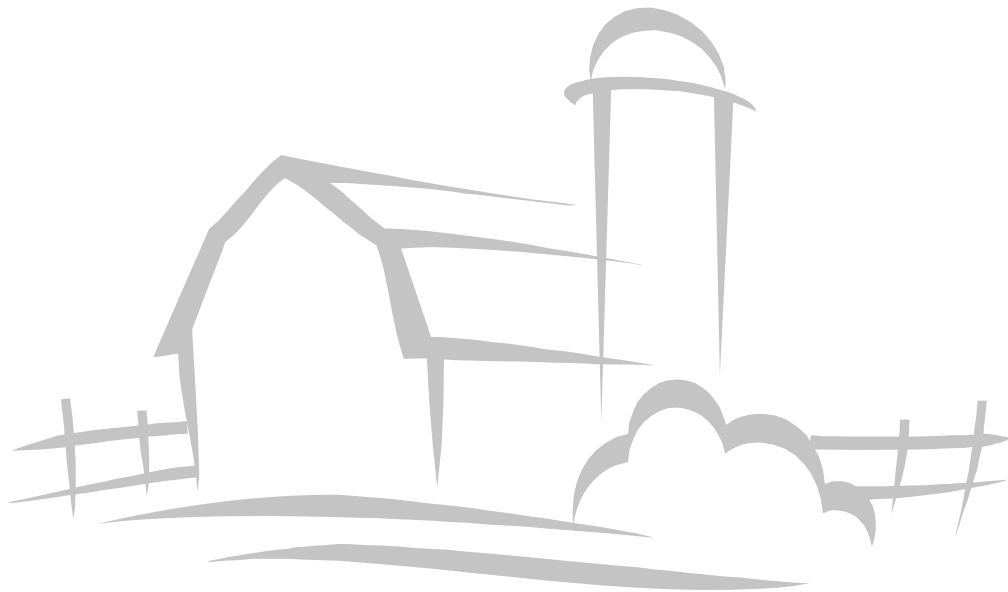
NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash & cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditors' Report.

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Electric Power Sales Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 1,000,001	\$ -	2,518,396	\$ 4,978,724
(708,042)	-	(2,501,816)	(4,557,221)
-	-	(12,048)	(676,985)
-	-	-	80,308
-	(22,000)	-	(42,510)
<u>291,959</u>	<u>(22,000)</u>	<u>4,532</u>	<u>(217,684)</u>
-	174,644	-	424,644
-	-	-	<u>245,982</u>
-	174,644	-	670,626
-	-	-	(5,809)
-	-	-	(5,809)
<u>315</u>	<u>1,441</u>	-	<u>783</u>
<u>315</u>	<u>1,441</u>	-	<u>783</u>
292,274	154,085	4,532	447,916
<u>286,931</u>	<u>195,774</u>	<u>33,043</u>	<u>1,134,855</u>
<u>\$ 579,205</u>	<u>\$ 349,859</u>	<u>37,575</u>	<u>\$ 1,582,771</u>
\$ 57,050	\$ (22,000)	55,808	\$ (340,528)
-	-	-	1,533
-	-	(6,261)	60,392
232,376	-	-	232,376
2,533	-	-	2,533
-	-	-	(195)
-	-	-	(14,129)
-	-	-	(57,775)
-	-	(45,015)	(48,807)
-	-	-	(24,438)
-	-	-	(55)
-	-	-	(26,635)
-	-	-	57
-	-	-	(2,013)
<u>234,909</u>	<u>-</u>	<u>(51,276)</u>	<u>122,844</u>
<u>\$ 291,959</u>	<u>\$ (22,000)</u>	<u>4,532</u>	<u>\$ (217,684)</u>



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**Highway Garage Fund** – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure.

**Offender Work Programs** – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

**Single Audit Revolving Fund** – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit .

**Financial & HR Information Fund** – The activities of this fund account for the costs of the support of the State's financial and human capital management ERP systems.

**Communications & Information Technology** – This fund accounts for the activities of the Department of Information and Innovation's communications and information technology services.

**Fleet Fund** – This fund accounts for the Department of Buildings and General Services' vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

**E-Procurement Fund** - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

**Copy Center Fund** – This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services.

**Postage Fund** – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

**Facilities Operations Fund** – This fund's purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

**Property Management Fund** – This fund's purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

**Equipment Revolving Fund** – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

**State Resource Management Fund** – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

**State Surplus Property Fund** – This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments.

**State Liability Insurance Fund** – This fund provides liability insurance coverage for the actions performed by the State's employees in the course of performing their assigned duties.

**Risk Management-All Other Fund** – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

**Workers' Compensation Fund** – This fund provides workers' compensation coverage for all state employees.

**Medical Insurance Fund** – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

**Dental Insurance Fund** – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

**Life Insurance Fund** – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

**Long-term Disability Fund** – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees' union should they have a long term or permanent disability.

**Employees' Assistance Fund** – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

**STATE OF VERMONT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2011**

	<b>Highway Garage Fund</b>	<b>Offender Work Programs</b>	<b>Single Audit Revolving Fund</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	\$ -	\$ 79,495	\$ -
Accounts receivable.....	2,278,642	504,135	8,013
Due from other funds.....	-	-	-
Inventories, at cost.....	1,293,856	413,273	-
Prepaid expenses.....	-	-	-
<b>Total current assets.....</b>	<b>3,572,498</b>	<b>996,903</b>	<b>8,013</b>
<b>Capital Assets</b>			
Land.....	26,156	-	-
Construction in progress.....	3,429,748	-	-
Works of art.....	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings.....	52,099,134	1,523,382	-
Less accumulated depreciation.....	(31,083,936)	(1,088,198)	-
<b>Total capital assets, net of depreciation.....</b>	<b>24,471,102</b>	<b>435,184</b>	<b>-</b>
<b>Total assets.....</b>	<b>28,043,600</b>	<b>1,432,087</b>	<b>8,013</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable.....	1,367,504	152,498	871
Accrued salaries and wages.....	224,691	122,774	-
Claims payable.....	-	-	-
Due to other funds.....	-	-	-
Interfund payable.....	2,373,717	-	373,547
Unearned revenue.....	-	-	-
Capital leases payable.....	-	-	-
<b>Total current liabilities.....</b>	<b>3,965,912</b>	<b>275,272</b>	<b>374,418</b>
<b>Long-term Liabilities</b>			
Claims payable.....	-	-	-
Capital leases payable.....	-	-	-
<b>Total long-term liabilities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities.....</b>	<b>3,965,912</b>	<b>275,272</b>	<b>374,418</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	24,471,102	435,184	-
Unrestricted net assets (deficit).....	(393,414)	721,631	(366,405)
<b>Total net assets.....</b>	<b>\$ 24,077,688</b>	<b>\$ 1,156,815</b>	<b>\$ (366,405)</b>

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<b>Financial &amp; HR Information Fund</b>	<b>Communications &amp; Information Technology</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 913,475	\$ 1,902,192	\$ -	\$ -
-	1,082,461	728,900	554,965
-	-	5,856	-
-	-	-	-
-	425,504	-	-
<u>913,475</u>	<u>3,410,157</u>	<u>734,756</u>	<u>554,965</u>
-	-	-	-
-	-	-	-
-	-	-	-
31,140	5,800,812	11,142,246	-
(25,690)	(5,127,665)	(5,951,002)	-
<u>5,450</u>	<u>673,147</u>	<u>5,191,244</u>	<u>-</u>
<u>918,925</u>	<u>4,083,304</u>	<u>5,926,000</u>	<u>554,965</u>
297,659	1,200,627	515,890	376,923
395,308	436,961	38,953	-
-	-	-	-
10,825	-	-	-
-	-	4,911,034	178,042
-	-	-	-
-	-	-	-
<u>703,792</u>	<u>1,637,588</u>	<u>5,465,877</u>	<u>554,965</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>703,792</u>	<u>1,637,588</u>	<u>5,465,877</u>	<u>554,965</u>
5,450	673,147	5,191,244	-
209,683	1,772,569	(4,731,121)	-
<u>\$ 215,133</u>	<u>\$ 2,445,716</u>	<u>\$ 460,123</u>	<u>\$ -</u>

*Continued on next page*

**STATE OF VERMONT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2011**

	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	\$ -	\$ -	\$ -
Accounts receivable.....	181,838	295,469	1,190,217
Due from other funds.....	-	-	8,294
Inventories, at cost.....	-	798,156	-
Prepaid expenses.....	6,227	-	-
<b>Total current assets.....</b>	<b>188,065</b>	<b>1,093,625</b>	<b>1,198,511</b>
<b>Capital Assets</b>			
Land.....	-	-	-
Construction in progress.....	-	-	-
Works of art.....	-	-	8,200
Capital assets being depreciated			
Machinery, equipment and buildings.....	3,312,812	488,147	6,555,745
Less accumulated depreciation.....	(1,937,618)	(469,780)	(2,468,018)
<b>Total capital assets, net of depreciation.....</b>	<b>1,375,194</b>	<b>18,367</b>	<b>4,095,927</b>
<b>Total assets.....</b>	<b>1,563,259</b>	<b>1,111,992</b>	<b>5,294,438</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable.....	118,428	54,990	1,685,492
Accrued salaries and wages.....	25,176	48,224	1,091,782
Claims payable.....	-	-	-
Due to other funds.....	14,889	-	3,786
Interfund payable.....	3,088,001	2,767,595	736,602
Unearned revenue.....	-	-	-
Capital leases payable.....	-	-	480,440
<b>Total current liabilities.....</b>	<b>3,246,494</b>	<b>2,870,809</b>	<b>3,998,102</b>
<b>Long-term Liabilities</b>			
Claims payable.....	-	-	-
Capital leases payable.....	-	-	3,780,657
<b>Total long-term liabilities.....</b>	<b>-</b>	<b>-</b>	<b>3,780,657</b>
<b>Total liabilities.....</b>	<b>3,246,494</b>	<b>2,870,809</b>	<b>7,778,759</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	1,375,194	18,367	(165,170)
Unrestricted net assets (deficit).....	(3,058,429)	(1,777,184)	(2,319,151)
<b>Total net assets.....</b>	<b>\$ (1,683,235)</b>	<b>\$ (1,758,817)</b>	<b>\$ (2,484,321)</b>

<b>Property Management Fund</b>	<b>Equipment Revolving Fund</b>	<b>State Resource Management Fund</b>	<b>State Surplus Property Fund</b>	<b>State Liability Insurance Fund</b>
\$ -	\$ -	\$ -	\$ 222,021	\$ 7,185,325
190,507	1,247,020	238,537	2,352	-
-	-	-	15,590	2,538
-	-	-	27,383	-
722,137	-	-	-	-
912,644	1,247,020	238,537	267,346	7,187,863
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
24,684	-	-	13,577	6,334
(19,422)	-	-	(13,577)	(616)
5,262	-	-	-	5,718
917,906	1,247,020	238,537	267,346	7,193,581
288,169	-	-	4,166	602
77,923	-	-	17,695	20,836
-	-	-	-	-
1,026,225	57,064	-	195	-
20,397,351	1,189,956	238,537	-	-
-	-	-	27,383	-
-	-	-	-	-
21,789,668	1,247,020	238,537	49,439	21,438
-	-	-	-	6,426,881
-	-	-	-	-
-	-	-	-	6,426,881
21,789,668	1,247,020	238,537	49,439	6,448,319
5,262	-	-	-	5,718
(20,877,024)	-	-	217,907	739,544
<u>\$ (20,871,762)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,907</u>	<u>\$ 745,262</u>

*Continued on next page*

**STATE OF VERMONT  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

	<b>Risk Management - All Other Fund</b>	<b>Workers' Compensation Fund</b>	<b>Medical Insurance Fund</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	\$ -	\$ 19,388,240	\$ 22,947,722
Accounts receivable.....	505,946	-	126,057
Due from other funds.....	-	-	-
Inventories, at cost.....	-	-	-
Prepaid expenses.....	-	10,787	19,272
<b>Total current assets.....</b>	<b>505,946</b>	<b>19,399,027</b>	<b>23,093,051</b>
<b>Capital Assets</b>			
Land.....	-	-	-
Construction in progress.....	-	-	-
Works of art.....	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings.....	-	-	-
Less accumulated depreciation.....	-	-	-
<b>Total capital assets, net of depreciation.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets.....</b>	<b>505,946</b>	<b>19,399,027</b>	<b>23,093,051</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable.....	62	43,072	511,723
Accrued salaries and wages.....	-	80,275	88,556
Claims payable.....	-	42,149	11,916,236
Due to other funds.....	2,538	5,856	-
Interfund payable.....	501,855	-	-
Unearned revenue.....	-	-	238
Capital leases payable.....	-	-	-
<b>Total current liabilities.....</b>	<b>504,455</b>	<b>171,352</b>	<b>12,516,753</b>
<b>Long-term Liabilities</b>			
Claims payable.....	-	23,161,642	-
Capital leases payable.....	-	-	-
<b>Total long-term liabilities.....</b>	<b>-</b>	<b>23,161,642</b>	<b>-</b>
<b>Total liabilities.....</b>	<b>504,455</b>	<b>23,332,994</b>	<b>12,516,753</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	-	-	-
Unrestricted net assets (deficit).....	1,491	(3,933,967)	10,576,298
<b>Total net assets.....</b>	<b>\$ 1,491</b>	<b>\$ (3,933,967)</b>	<b>\$ 10,576,298</b>

<b>Dental Insurance Fund</b>	<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Eliminations</b>	<b>Total Internal Service Fund</b>
\$ 247,714	\$ 518,584	\$ 155,274	\$ 65,009	\$ -	\$ 53,625,051
2,683	8,652	-	-	-	9,146,394
-	-	-	-	(23,282)	8,996
-	-	-	-	-	2,532,668
-	-	-	-	-	1,183,927
<u>250,397</u>	<u>527,236</u>	<u>155,274</u>	<u>65,009</u>	<u>(23,282)</u>	<u>66,497,036</u>
-	-	-	-	-	26,156
-	-	-	-	-	3,429,748
-	-	-	-	-	8,200
-	-	-	-	-	80,998,013
-	-	-	-	-	(48,185,522)
-	-	-	-	-	36,276,595
<u>250,397</u>	<u>527,236</u>	<u>155,274</u>	<u>65,009</u>	<u>(23,282)</u>	<u>102,773,631</u>
27,914	130,034	15,539	57,716	-	6,849,879
3,073	1,227	-	-	-	2,673,454
196,749	-	-	-	-	12,155,134
-	-	-	-	(23,282)	1,098,096
-	-	-	-	-	36,756,237
-	-	-	-	-	27,621
-	-	-	-	-	480,440
<u>227,736</u>	<u>131,261</u>	<u>15,539</u>	<u>57,716</u>	<u>(23,282)</u>	<u>60,040,861</u>
-	-	-	-	-	29,588,523
-	-	-	-	-	3,780,657
-	-	-	-	-	33,369,180
<u>227,736</u>	<u>131,261</u>	<u>15,539</u>	<u>57,716</u>	<u>(23,282)</u>	<u>93,410,041</u>
-	-	-	-	-	32,015,498
<u>22,661</u>	<u>395,975</u>	<u>139,735</u>	<u>7,293</u>	<u>-</u>	<u>(22,651,908)</u>
<u>\$ 22,661</u>	<u>\$ 395,975</u>	<u>\$ 139,735</u>	<u>\$ 7,293</u>	<u>\$ -</u>	<u>\$ 9,363,590</u>



**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Highway Garage Fund</b>	<b>Offender Work Programs</b>	<b>Single Audit Revolving Fund</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services.....	\$ 15,853,624	\$ 2,724,372	\$ 2,620,905
Rental income.....	270,901	-	-
Other operating revenues.....	43,792	-	-
<b>Total operating revenues.....</b>	<b>16,168,317</b>	<b>2,724,372</b>	<b>2,620,905</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and services.....	-	1,001,805	-
Claims expense.....	-	-	-
Salaries and benefits.....	3,428,932	760,586	1,072,223
Insurance premium expense.....	267,420	523	2,876
Contractual services.....	7,940	38,956	1,716,550
Repairs and maintenance.....	775,077	63,729	80
Depreciation.....	4,255,887	55,701	-
Rental expense.....	7,477	2,743	22,689
Utilities and property management.....	179,645	44,170	36,882
Non-capital equipment purchased.....	345,830	51,027	14,432
Promotions and advertising.....	-	716	472
Administrative expenses.....	8,997	2,045	19,011
Supplies and parts.....	5,790,630	(29,505)	11,365
Distribution and postage.....	2,684	28,180	-
Travel expenses.....	3,691	18,616	1,556
Other operating expenses.....	2,420	94,007	-
<b>Total operating expenses.....</b>	<b>15,076,630</b>	<b>2,133,299</b>	<b>2,898,136</b>
<b>Operating income (loss).....</b>	<b>1,091,687</b>	<b>591,073</b>	<b>(277,231)</b>
<b>NONOPERATING REVENUES</b>			
Gain (loss) on disposal of capital assets.....	252,571	-	-
Investment income (expense).....	-	-	-
<b>Total nonoperating revenues (expenses).....</b>	<b>252,571</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>1,344,258</b>	<b>591,073</b>	<b>(277,231)</b>
Capital contributions from other funds.....	-	-	-
Transfers in.....	1,120,000	-	-
Transfers out.....	-	-	-
<b>Change in net assets.....</b>	<b>2,464,258</b>	<b>591,073</b>	<b>(277,231)</b>
<b>Total net assets (deficit), July 1.....</b>	<b>21,613,430</b>	<b>565,742</b>	<b>(89,174)</b>
<b>Total net assets (deficit), June 30.....</b>	<b>\$ 24,077,688</b>	<b>\$ 1,156,815</b>	<b>\$ (366,405)</b>

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<b>Financial &amp; HR Information Fund</b>	<b>Communications &amp; Information Technology</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 6,266,384	\$ 14,990,659	\$ 4,337,944	\$ 4,787,319
-	-	-	-
-	-	55,342	-
6,266,384	14,990,659	4,393,286	4,787,319
-	4,042,024	-	4,787,319
-	-	-	-
3,687,653	4,731,291	499,284	-
6,931	11,469	131,049	-
32,832	291,158	10,068	-
1,349,373	1,481,455	461,452	-
6,228	347,147	1,692,992	-
172,608	771,457	18,398	-
390,511	1,096,104	23,389	-
65,529	467,110	167,576	-
1,879	3,737	5,634	-
219,920	97,867	75,549	-
18,689	17,086	1,193,888	-
2,165	3,076	396	-
9,982	39,358	48	-
5,294	302,121	3,650	-
5,969,594	13,702,460	4,283,373	4,787,319
296,790	1,288,199	109,913	-
-	-	179,498	-
-	-	-	-
-	-	179,498	-
296,790	1,288,199	289,411	-
-	-	-	-
-	300,000	-	-
-	(2,738)	-	-
296,790	1,585,461	289,411	-
(81,657)	860,255	170,712	-
\$ 215,133	\$ 2,445,716	\$ 460,123	\$ -

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**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services.....	\$ 1,933,603	\$ 2,961,176	\$ 27,135,595
Rental income.....	-	-	-
Other operating revenues.....	-	-	1,168,176
<b>Total operating revenues.....</b>	<b>1,933,603</b>	<b>2,961,176</b>	<b>28,303,771</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and services.....	313,979	2,293,770	-
Claims expense.....	-	-	-
Salaries and benefits.....	604,229	561,081	12,340,912
Insurance premium expense.....	4,462	4,462	384,153
Contractual services.....	218	-	479,005
Repairs and maintenance.....	270,798	123,858	2,016,475
Depreciation.....	506,445	25,930	598,496
Rental expense.....	45,884	49,769	943,761
Utilities and property management.....	21,842	22,534	8,677,058
Non-capital equipment purchased.....	14,179	675	214,784
Promotions and advertising.....	519	-	3,307
Administrative expenses.....	53,484	48,357	496,304
Supplies and parts.....	3,794	12,951	2,074,454
Distribution and postage.....	2,699	6,244	21,146
Travel expenses.....	150	75	33,586
Other operating expenses.....	794	794	563,495
<b>Total operating expenses.....</b>	<b>1,843,476</b>	<b>3,150,500</b>	<b>28,846,936</b>
<b>Operating income (loss).....</b>	<b>90,127</b>	<b>(189,324)</b>	<b>(543,165)</b>
<b>NONOPERATING REVENUES</b>			
Gain (loss) on disposal of capital assets.....	(3,267)	-	(8,025)
Investment income (expense).....	-	-	-
<b>Total nonoperating revenues (expenses).....</b>	<b>(3,267)</b>	<b>-</b>	<b>(8,025)</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>86,860</b>	<b>(189,324)</b>	<b>(551,190)</b>
Capital contributions from other funds.....	-	-	3,555
Transfers in.....	-	-	-
Transfers out.....	(208)	-	(753,832)
<b>Change in net assets.....</b>	<b>86,652</b>	<b>(189,324)</b>	<b>(1,301,467)</b>
<b>Total net assets (deficit), July 1.....</b>	<b>(1,769,887)</b>	<b>(1,569,493)</b>	<b>(1,182,854)</b>
<b>Total net assets (deficit), June 30.....</b>	<b>\$ (1,683,235)</b>	<b>\$ (1,758,817)</b>	<b>\$ (2,484,321)</b>

<b>Property Management Fund</b>	<b>Equipment Revolving Fund</b>	<b>State Resource Management Fund</b>	<b>State Surplus Property Fund</b>	<b>State Liability Insurance Fund</b>
\$ -	\$ 660,283	\$ 128,447	\$ 1,379,956	\$ 3,350,000
12,808,575	-	-	-	-
488,892	-	-	278,857	-
<u>13,297,467</u>	<u>660,283</u>	<u>128,447</u>	<u>1,658,813</u>	<u>3,350,000</u>
10,396,936	-	-	1,360,908	416,505
-	-	-	-	400,884
984,350	-	-	45,442	248,842
36,436	-	-	406	2,312
147,095	-	-	35,699	633,933
102,713	-	(438)	1,255	163
922	-	-	-	616
44,765	-	-	67,993	9,098
1,183,337	-	-	4,332	11,158
12,425	658,479	128,246	3,208	8,684
733	-	-	824	-
302,805	1,804	639	34,641	48,107
121,185	-	-	1,193	296
403	-	-	419	1,375
1,947	-	-	48	1,977
33,064	-	-	550	686
<u>13,369,116</u>	<u>660,283</u>	<u>128,447</u>	<u>1,556,918</u>	<u>1,784,636</u>
<u>(71,649)</u>	<u>-</u>	<u>-</u>	<u>101,895</u>	<u>1,565,364</u>
-	-	-	-	-
-	-	-	-	11,768
-	-	-	-	11,768
<u>(71,649)</u>	<u>-</u>	<u>-</u>	<u>101,895</u>	<u>1,577,132</u>
-	-	-	-	-
599,909	-	-	-	-
<u>(1,026,709)</u>	<u>-</u>	<u>-</u>	<u>(150)</u>	<u>-</u>
(498,449)	-	-	101,745	1,577,132
<u>(20,373,313)</u>	<u>-</u>	<u>-</u>	<u>116,162</u>	<u>(831,870)</u>
<u>\$ (20,871,762)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,907</u>	<u>\$ 745,262</u>

Continued on next page

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Risk Management - All Other Fund</b>	<b>Workers' Compensation Fund</b>	<b>Medical Insurance Fund</b>
<b>OPERATING REVENUES</b>			
Charges for sales and services.....	\$ 1,512,971	\$ 9,794,255	\$ 131,643,857
Rental income.....	-	-	-
Other operating revenues.....	-	-	84,300
<b>Total operating revenues.....</b>	<b>1,512,971</b>	<b>9,794,255</b>	<b>131,728,157</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and services.....	1,247,808	-	-
Claims expense.....	-	5,850,317	116,845,994
Salaries and benefits.....	23,123	1,287,051	711,793
Insurance premium expense.....	385	5,010	4,298,401
Contractual services.....	-	272,914	231,325
Repairs and maintenance.....	-	2,426	199
Depreciation.....	640	-	-
Rental expense.....	2,739	60,529	99,255
Utilities and property management.....	902	36,895	27,366
Non-capital equipment purchased.....	1,229	20,216	20,368
Promotions and advertising.....	233	528	1,114
Administrative expenses.....	21,777	167,342	6,204,122
Supplies and parts.....	4	6,733	20,714
Distribution and postage.....	-	3,410	27,836
Travel expenses.....	60	6,182	3,765
Other operating expenses.....	256	7,955	2,160
<b>Total operating expenses.....</b>	<b>1,299,156</b>	<b>7,727,508</b>	<b>128,494,412</b>
<b>Operating income (loss).....</b>	<b>213,815</b>	<b>2,066,747</b>	<b>3,233,745</b>
<b>NONOPERATING REVENUES</b>			
Gain (loss) on disposal of capital assets.....	-	-	-
Investment income (expense).....	-	35,521	35,406
<b>Total nonoperating revenues (expenses).....</b>	<b>-</b>	<b>35,521</b>	<b>35,406</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>213,815</b>	<b>2,102,268</b>	<b>3,269,151</b>
Capital contributions from other funds.....	(3,555)	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
<b>Change in net assets.....</b>	<b>210,260</b>	<b>2,102,268</b>	<b>3,269,151</b>
<b>Total net assets (deficit), July 1.....</b>	<b>(208,769)</b>	<b>(6,036,235)</b>	<b>7,307,147</b>
<b>Total net assets (deficit), June 30.....</b>	<b>\$ 1,491</b>	<b>\$ (3,933,967)</b>	<b>\$ 10,576,298</b>

<b>Dental Insurance Fund</b>	<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Total Internal Service Fund</b>
\$ 4,236,003	\$ 1,947,503	\$ 102,214	\$ 223,171	\$ 238,590,241
-	-	-	-	13,079,476
25	-	-	-	2,119,384
<u>4,236,028</u>	<u>1,947,503</u>	<u>102,214</u>	<u>223,171</u>	<u>253,789,101</u>
-	-	-	-	25,861,054
4,972,179	-	-	-	128,069,374
20,158	8,012	-	-	31,014,962
93	2,126,506	(7,807)	230,086	7,505,173
10,572	-	-	-	3,908,265
8	3	-	-	6,648,626
-	-	-	-	7,491,004
2,326	930	-	-	2,322,421
758	303	-	-	11,757,186
27	11	-	-	2,194,035
-	-	-	-	19,696
341,137	6,175	-	-	8,150,083
77	31	-	-	9,243,585
500	200	-	-	100,733
7	5	-	-	121,053
14	6	-	-	1,017,266
<u>5,347,856</u>	<u>2,142,182</u>	<u>(7,807)</u>	<u>230,086</u>	<u>245,424,516</u>
<u>(1,111,828)</u>	<u>(194,679)</u>	<u>110,021</u>	<u>(6,915)</u>	<u>8,364,585</u>
-	-	-	-	420,777
1,473	1,396	-	-	85,564
<u>1,473</u>	<u>1,396</u>	<u>-</u>	<u>-</u>	<u>506,341</u>
<u>(1,110,355)</u>	<u>(193,283)</u>	<u>110,021</u>	<u>(6,915)</u>	<u>8,870,926</u>
-	-	-	-	-
-	-	-	-	2,019,909
<u>(32,760)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,816,397)</u>
<u>(1,143,115)</u>	<u>(193,283)</u>	<u>110,021</u>	<u>(6,915)</u>	<u>9,074,438</u>
<u>1,165,776</u>	<u>589,258</u>	<u>29,714</u>	<u>14,208</u>	<u>289,152</u>
<u>\$ 22,661</u>	<u>\$ 395,975</u>	<u>\$ 139,735</u>	<u>\$ 7,293</u>	<u>\$ 9,363,590</u>

STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers.....	\$ 15,162,460	\$ 2,466,160	\$ 3,169,241
Cash paid to suppliers for goods and services.....	(6,476,706)	(1,252,684)	(1,867,204)
Cash paid to employees for services.....	(3,493,200)	(773,333)	(1,072,223)
Cash paid to claimants.....	-	-	-
Other operating revenues .....	43,792	-	-
Other operating expenses.....	(2,420)	(94,007)	-
<b>Net cash provided (used) by operating activities.....</b>	<b>5,233,926</b>	<b>346,136</b>	<b>229,814</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out).....	1,120,000	-	-
Interfund loans and advances.....	1,099,807	(266,641)	(229,814)
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>2,219,807</b>	<b>(266,641)</b>	<b>(229,814)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets.....	(7,985,753)	-	-
Proceeds from capital leases.....	-	-	-
Proceeds from sale of capital assets.....	532,020	-	-
<b>Net cash (used) by capital and related financing activities.....</b>	<b>(7,453,733)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments.....	-	-	-
<b>Net cash provided by investing activities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>-</b>	<b>79,495</b>	<b>-</b>
<b>Cash and cash equivalents, July 1.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, June 30.....</b>	<b>\$ -</b>	<b>\$ 79,495</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 1,091,687	\$ 591,073	\$ (277,231)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation.....	4,255,887	55,701	-
(Increase)/decrease in accounts receivable.....	(962,065)	(258,212)	548,336
(Increase)/decrease in due from other funds.....	-	-	-
(Increase)/decrease in inventories.....	20,177	(45,446)	-
(Increase)/decrease in prepaid expenses.....	394	-	-
Increase/(decrease) in accounts payable.....	892,114	15,767	(41,291)
Increase/(decrease) in accrued salaries and benefits.....	(64,268)	(12,747)	-
Increase/(decrease) in claims payable.....	-	-	-
Increase/(decrease) in due to other funds.....	-	-	-
Increase/(decrease) in deferred revenue.....	-	-	-
<b>Total adjustments.....</b>	<b>4,142,239</b>	<b>(244,937)</b>	<b>507,045</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 5,233,926</b>	<b>\$ 346,136</b>	<b>\$ 229,814</b>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets to/from other funds.....	-	-	-
Retirement of assets not fully depreciated.....	-	-	-
Receipt of inventory from other funds on consignment.....	-	-	-

See Independent Auditors' Report

<b>Financial &amp; HR Information Fund</b>	<b>Communications &amp; Information Technology</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 6,266,384	\$ 15,586,043	\$ 4,245,685	\$ 4,727,646
(2,416,498)	(9,061,596)	(1,689,535)	(4,802,528)
(3,802,025)	(4,860,175)	(519,293)	-
-	-	-	-
-	-	55,342	-
(5,294)	(302,121)	(3,650)	-
<u>42,567</u>	<u>1,362,151</u>	<u>2,088,549</u>	<u>(74,882)</u>
-	297,262	-	-
-	-	(777,289)	74,882
-	297,262	(777,289)	74,882
-	(388,798)	(1,627,453)	-
-	-	-	-
-	-	316,193	-
-	(388,798)	(1,311,260)	-
-	-	-	-
-	-	-	-
42,567	1,270,615	-	-
<u>870,908</u>	<u>631,577</u>	<u>-</u>	<u>-</u>
<u>\$ 913,475</u>	<u>\$ 1,902,192</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 296,790	\$ 1,288,199	\$ 109,913	\$ -
6,228	347,147	1,692,992	-
-	602,489	(92,259)	(59,673)
-	-	-	-
-	-	-	-
-	(74,560)	-	-
(88,812)	(665,135)	397,912	(15,209)
(114,372)	(128,884)	(9,768)	-
-	-	-	-
(57,267)	-	(10,241)	-
-	(7,105)	-	-
<u>(254,223)</u>	<u>73,952</u>	<u>1,978,636</u>	<u>(74,882)</u>
<u>\$ 42,567</u>	<u>\$ 1,362,151</u>	<u>\$ 2,088,549</u>	<u>\$ (74,882)</u>
-	-	-	-
-	-	-	-
-	-	-	-

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**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers.....	\$ 1,942,320	\$ 2,920,966	\$ 26,230,928
Cash paid to suppliers for goods and services.....	(655,077)	(2,779,797)	(14,516,936)
Cash paid to employees for services.....	(622,515)	(591,847)	(12,746,249)
Cash paid to claimants.....	-	-	-
Other operating revenues .....	-	-	1,168,176
Other operating expenses.....	(794)	(794)	(563,495)
<b>Net cash provided (used) by operating activities.....</b>	<b>663,934</b>	<b>(451,472)</b>	<b>(427,576)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out).....	(208)	-	(753,832)
Interfund loans and advances.....	74,362	451,472	736,602
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>74,154</b>	<b>451,472</b>	<b>(17,230)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets.....	(738,088)	-	(102,169)
Proceeds from capital leases.....	-	-	(449,991)
Proceeds from sale of capital assets.....	-	-	-
<b>Net cash (used) by capital and related financing activities.....</b>	<b>(738,088)</b>	<b>-</b>	<b>(552,160)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments.....	-	-	-
<b>Net cash provided by investing activities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>-</b>	<b>-</b>	<b>(996,966)</b>
<b>Cash and cash equivalents, July 1.....</b>	<b>-</b>	<b>-</b>	<b>996,966</b>
<b>Cash and cash equivalents, June 30.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 90,127	\$ (189,324)	\$ (543,165)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation.....	506,445	25,930	598,496
(Increase)/decrease in accounts receivable.....	8,717	(40,210)	(896,373)
(Increase)/decrease in due from other funds.....	-	-	(8,294)
(Increase)/decrease in inventories.....	-	(258,086)	-
(Increase)/decrease in prepaid expenses.....	11,780	878	-
Increase/(decrease) in accounts payable.....	65,465	40,106	823,311
Increase/(decrease) in accrued salaries and benefits.....	(18,286)	(18,581)	(405,337)
Increase/(decrease) in claims payable.....	-	-	-
Increase/(decrease) in due to other funds.....	(314)	(12,185)	3,786
Increase/(decrease) in deferred revenue.....	-	-	-
<b>Total adjustments.....</b>	<b>573,807</b>	<b>(262,148)</b>	<b>115,589</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 663,934</b>	<b>\$ (451,472)</b>	<b>\$ (427,576)</b>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets to/from other funds.....	-	-	3,555
Retirement of assets not fully depreciated.....	-	-	(8,025)
Receipt of inventory from other funds on consignment.....	-	-	-

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
\$ 12,703,208	\$ 538,041	\$ 40,085	\$ 1,381,561	\$ 3,350,000
(12,172,037)	(603,219)	(128,447)	(1,510,987)	(1,152,574)
(1,016,645)	-	-	(56,052)	(260,612)
-	-	-	-	(891,905)
488,892	-	-	278,857	-
(33,064)	-	-	(550)	(686)
(29,646)	(65,178)	(88,362)	92,829	1,044,223
599,425	-	-	(150)	-
(564,382)	65,178	88,362	-	-
35,043	65,178	88,362	(150)	-
(5,397)	-	-	-	(6,334)
-	-	-	-	-
-	-	-	-	-
(5,397)	-	-	-	(6,334)
-	-	-	-	11,768
-	-	-	-	11,768
-	-	-	92,679	1,049,657
-	-	-	129,342	6,135,668
\$ -	\$ -	\$ -	\$ 222,021	\$ 7,185,325
\$ (71,649)	\$ -	\$ -	\$ 101,895	\$ 1,565,364
922	-	-	-	616
(105,367)	(122,242)	(88,362)	1,605	-
-	-	-	(3,487)	1,099
-	-	-	7,431	-
5,745	-	-	-	-
172,998	-	-	(61)	(18,966)
(32,295)	-	-	(3,613)	(12,869)
-	-	-	-	(491,021)
-	57,064	-	(3,510)	-
-	-	-	(7,431)	-
42,003	(65,178)	(88,362)	(9,066)	(521,141)
\$ (29,646)	\$ (65,178)	\$ (88,362)	\$ 92,829	\$ 1,044,223
-	-	-	-	-
-	-	-	-	-
-	-	-	7,431	-

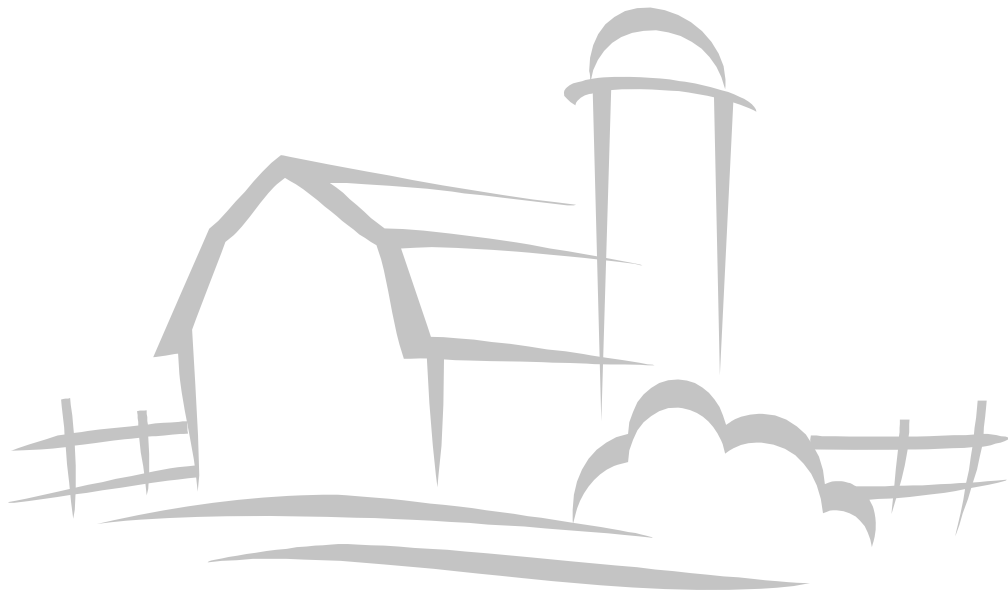
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**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers.....	\$ 1,335,722	\$ 9,794,255	\$ 135,416,741
Cash paid to suppliers for goods and services.....	(1,285,745)	(616,808)	(11,121,495)
Cash paid to employees for services.....	(24,222)	(1,334,578)	(729,182)
Cash paid to claimants.....	-	(6,983,306)	(115,834,579)
Other operating revenues .....	-	-	84,300
Other operating expenses.....	(256)	(7,955)	(2,160)
<b>Net cash provided (used) by operating activities.....</b>	<b>25,499</b>	<b>851,608</b>	<b>7,813,625</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in (out).....	-	-	-
Interfund loans and advances.....	(25,499)	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>(25,499)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets.....	-	-	-
Proceeds from capital leases.....	-	-	-
Proceeds from sale of capital assets.....	-	-	-
<b>Net cash (used) by capital and related financing activities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned on investments.....	-	35,521	37,489
<b>Net cash provided by investing activities.....</b>	<b>-</b>	<b>35,521</b>	<b>37,489</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>-</b>	<b>887,129</b>	<b>7,851,114</b>
<b>Cash and cash equivalents, July 1.....</b>	<b>-</b>	<b>18,501,111</b>	<b>15,096,608</b>
<b>Cash and cash equivalents, June 30.....</b>	<b>\$ -</b>	<b>\$ 19,388,240</b>	<b>\$ 22,947,722</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 213,815	\$ 2,066,747	\$ 3,233,745
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>			
Depreciation.....	640	-	-
(Increase)/decrease in accounts receivable.....	(177,249)	-	3,773,537
(Increase)/decrease in due from other funds.....	-	-	-
(Increase)/decrease in inventories.....	-	-	-
(Increase)/decrease in prepaid expenses.....	-	(10,787)	(19,272)
Increase/(decrease) in accounts payable.....	(10,608)	(29,692)	(167,758)
Increase/(decrease) in accrued salaries and benefits.....	-	(47,527)	(17,389)
Increase/(decrease) in claims payable.....	-	(1,132,989)	1,011,415
Increase/(decrease) in due to other funds.....	(1,099)	5,856	-
Increase/(decrease) in deferred revenue.....	-	-	(653)
<b>Total adjustments.....</b>	<b>(188,316)</b>	<b>(1,215,139)</b>	<b>4,579,880</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 25,499</b>	<b>\$ 851,608</b>	<b>\$ 7,813,625</b>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets to/from other funds.....	(3,555)	-	-
Retirement of assets not fully depreciated.....	-	-	-
Receipt of inventory from other funds on consignment.....	-	-	-

<b>Dental Insurance Fund</b>	<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Total Internal Service Fund</b>
\$ 4,459,559	\$ 2,022,846	\$ 110,296	\$ 231,843	\$ 254,101,990
(354,557)	(2,135,210)	6,585	(229,831)	(76,822,886)
(20,733)	(8,243)	-	-	(31,931,127)
(5,050,658)	-	-	-	(128,760,448)
25	-	-	-	2,119,384
(14)	(6)	-	-	(1,017,266)
<u>(966,378)</u>	<u>(120,613)</u>	<u>116,881</u>	<u>2,012</u>	<u>17,689,647</u>
(32,760)	-	-	-	1,229,737
-	-	-	-	727,040
<u>(32,760)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,956,777</u>
-	-	-	-	(10,853,992)
-	-	-	-	(449,991)
-	-	-	-	848,213
-	-	-	-	(10,455,770)
<u>1,473</u>	<u>1,396</u>	<u>-</u>	<u>-</u>	<u>87,647</u>
<u>1,473</u>	<u>1,396</u>	<u>-</u>	<u>-</u>	<u>87,647</u>
(997,665)	(119,217)	116,881	2,012	9,278,301
<u>1,245,379</u>	<u>637,801</u>	<u>38,393</u>	<u>62,997</u>	<u>44,346,750</u>
<u>\$ 247,714</u>	<u>\$ 518,584</u>	<u>\$ 155,274</u>	<u>\$ 65,009</u>	<u>\$ 53,625,051</u>
<u>\$ (1,111,828)</u>	<u>\$ (194,679)</u>	<u>\$ 110,021</u>	<u>\$ (6,915)</u>	<u>8,364,585</u>
-	-	-	-	7,491,004
223,556	75,343	8,082	8,672	2,448,325
-	-	-	-	(10,682)
-	-	-	-	(275,924)
-	-	-	-	(85,822)
948	(1,046)	(1,222)	255	1,369,076
(575)	(231)	-	-	(886,742)
(78,479)	-	-	-	(691,074)
-	-	-	-	(17,910)
-	-	-	-	(15,189)
<u>145,450</u>	<u>74,066</u>	<u>6,860</u>	<u>8,927</u>	<u>9,325,062</u>
<u>\$ (966,378)</u>	<u>\$ (120,613)</u>	<u>\$ 116,881</u>	<u>\$ 2,012</u>	<u>\$ 17,689,647</u>
-	-	-	-	-
-	-	-	-	(8,025)
-	-	-	-	7,431

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*Vermont*

**Vermont State Retirement Fund** – This is the public defined benefit pension plan provided by the State of Vermont for State employees.

**State Teachers' Retirement Fund** – This is the public defined benefit pension plan provided by the State of Vermont for State teachers.

**Vermont Municipal Employees' Retirement Fund** – This is the public pension plan administered by the State of Vermont for participating municipalities' employees.

**Vermont State Defined Contribution Fund** – This is a retirement plan for those exempt State employees that elected to participate in the defined contribution plan for the Vermont State Retirement System.

**Single Deposit Investment Account Fund** – This is a tax sheltered account funded through employee transfers from a non-contributing system years ago.

**Vermont Municipal Employees' Defined Contribution Fund** – This is a retirement plan for those participating municipalities' employees that elected to participate in the defined contribution plan for the Vermont Municipal Employees' Retirement Fund.

**Vermont State Postemployment Benefits Trust Fund** – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

**Vermont Municipal Employees' Health Benefit Fund** – This is a fund established by the Vermont Municipal Employees' Retirement System's Board of Directors as a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement.

**STATE OF VERMONT**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS**  
**JUNE 30, 2011**

	<b>Defined Benefit Plans</b>		
	<b>Vermont State Retirement Fund</b>	<b>State Teachers' Retirement Fund</b>	<b>Vermont Municipal Employees' Retirement Fund</b>
<b>ASSETS</b>			
Cash and short-term investments.....	\$ 5,921,353	\$ 4,770,355	\$ -
Investments at Fair Value			
Pooled investments.....	1,371,053,907	1,511,976,479	396,399,355
Fixed income.....	-	-	-
Equities.....	-	-	-
Real estate and venture capital.....	965,098	-	-
Mutual funds.....	-	-	-
Invested securities lending collateral.....	114,251,887	119,671,351	33,476,052
Total investments.....	1,486,270,892	1,631,647,830	429,875,407
Receivables			
Contributions - current.....	3,015,175	3,886,857	3,111,748
Contributions - non-current.....	-	-	6,805,308
Interest and dividends.....	73,615	78,462	318,425
Due from other funds.....	49,266	-	54,860
Other.....	41,736	984,873	94,496
Total receivables.....	3,179,792	4,950,192	10,384,837
Prepaid expenses.....	-	-	10,857
Capital assets			
Construction in progress.....	1,240,430	1,439,779	392,161
Capital assets being depreciated			
Equipment.....	810,239	982,461	395,874
Less accumulated depreciation.....	(219,566)	(259,703)	(110,228)
Total capital assets, net of depreciation.....	1,831,103	2,162,537	677,807
Total assets.....	1,497,203,140	1,643,530,914	440,948,908
<b>LIABILITIES</b>			
Accounts payable.....	2,122,507	2,821,846	446,453
Retainage payable.....	222,012	270,784	110,177
Due to other funds.....	-	-	-
Interfund loans payable.....	-	-	14,670
Securities lending obligations.....	114,251,887	119,671,352	33,476,052
Total liabilities.....	116,596,406	122,763,982	34,047,352
<b>NET ASSETS HELD IN TRUST FOR EMPLOYEES'</b>			
<b>PENSION AND OTHER POSTEMPLOYMENT BENEFITS.</b>	<b>\$ 1,380,606,734</b>	<b>\$ 1,520,766,932</b>	<b>\$ 406,901,556</b>

See Independent Auditors' Report

Defined Contribution Plans			Other Postemployment Benefit Funds		Eliminations	Total
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund		
\$ 41,356	\$ 862,290	\$ 75,371	\$ 1,429,153	\$ 247,147	\$ -	\$ 13,347,025
-	-	-	-	-	-	3,279,429,741
-	-	-	5,904,488	-	-	5,904,488
-	-	-	2,741,815	-	-	2,741,815
-	-	-	-	-	-	965,098
45,042,406	77,765,434	16,049,454	513,115	10,747,708	-	150,118,117
-	-	-	-	-	-	267,399,290
45,042,406	77,765,434	16,049,454	9,159,418	10,747,708	-	3,706,558,549
91,823	-	13,601	281,667	-	-	10,400,871
-	-	-	-	-	-	6,805,308
-	127	-	-	-	-	470,629
-	-	-	376,253	-	(104,126)	376,253
-	-	-	-	-	-	1,121,105
91,823	127	13,601	657,920	-	(104,126)	19,174,166
-	-	-	-	-	-	10,857
-	-	-	-	-	-	3,072,370
-	-	-	-	-	-	2,188,574
-	-	-	-	-	-	(589,497)
-	-	-	-	-	-	4,671,447
45,175,585	78,627,851	16,138,426	11,246,491	10,994,855	(104,126)	3,743,762,044
4,459	-	473	30,955	-	-	5,426,693
-	-	-	-	-	-	602,973
49,266	-	54,860	-	-	(104,126)	-
-	-	-	-	-	-	14,670
-	-	-	-	-	-	267,399,291
53,725	-	55,333	30,955	-	(104,126)	273,443,627
\$ 45,121,860	\$ 78,627,851	\$ 16,083,093	\$ 11,215,536	\$ 10,994,855	\$ -	\$ 3,470,318,417



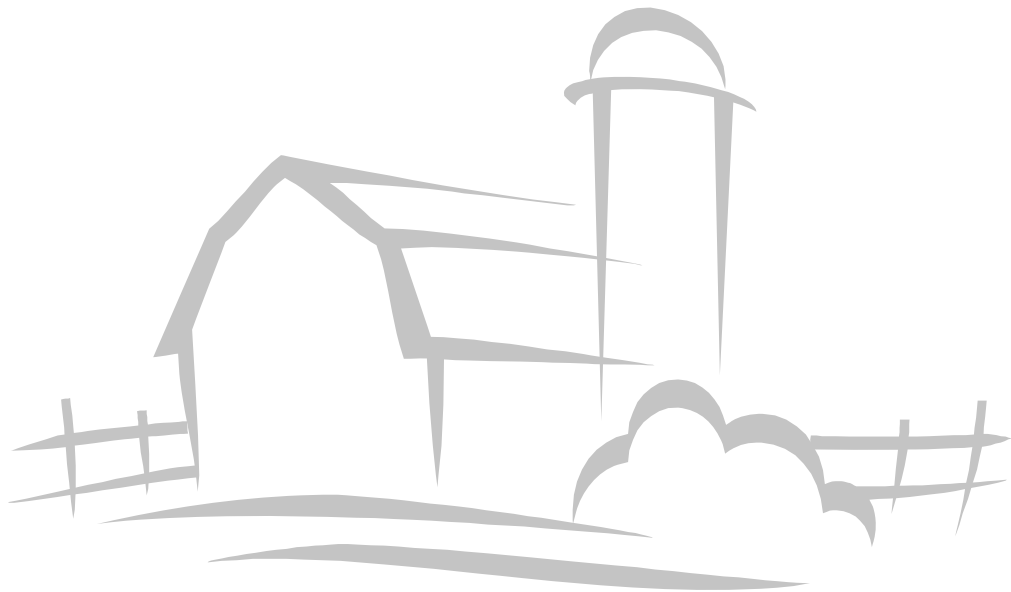
**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Defined Benefit Plans</b>		
	<b>Vermont State Retirement Fund</b>	<b>State Teachers' Retirement Fund</b>	<b>Vermont Municipal Employees' Retirement Fund</b>
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer - pension benefit.....	\$ 37,572,599	\$ 33,134,361	\$ 11,117,363
Employer - healthcare benefit.....	-	14,000,000	-
Plan member.....	22,269,041	32,062,253	11,702,728
Transfers from other pension trust funds.....	743,172	208,107	266,425
Transfers from non-state systems.....	-	-	-
Medicare part D drug subsidy.....	-	1,381,587	-
Early Retiree Reinsurance Program.....	-	1,752,183	-
<b>Total contributions.....</b>	<b>60,584,812</b>	<b>82,538,491</b>	<b>23,086,516</b>
<b>Investment Income</b>			
Net appreciation in fair value of investments.....	485,001	5,561	72,012
Income from pooled investments.....	242,615,086	267,153,775	67,837,569
Dividends.....	-	-	-
Interest.....	18,765	23,927	440,086
Securities lending income.....	649,947	691,815	182,943
Other income.....	294,521	322,380	25,562
<b>Total investment income.....</b>	<b>244,063,320</b>	<b>268,197,458</b>	<b>68,558,172</b>
<b>Less Investment Expenses</b>			
Investment managers and consultants.....	5,516,418	6,141,125	1,555,401
Securities lending expenses.....	160,519	170,022	44,990
<b>Total investment expenses.....</b>	<b>5,676,937</b>	<b>6,311,147</b>	<b>1,600,391</b>
<b>Net investment income.....</b>	<b>238,386,383</b>	<b>261,886,311</b>	<b>66,957,781</b>
<b>Total additions.....</b>	<b>298,971,195</b>	<b>344,424,802</b>	<b>90,044,297</b>
<b>DEDUCTIONS</b>			
Retirement benefits.....	84,716,513	106,930,467	12,298,902
Other postemployment benefits.....	-	18,749,675	-
Refund of contributions.....	1,731,375	1,218,955	1,275,978
Death claims.....	328,623	303,237	132,570
Transfers to other pension trust funds.....	285,276	305,854	754,139
Depreciation.....	97,845	115,811	47,324
Operating expenses.....	1,049,731	1,283,921	522,279
<b>Total deductions.....</b>	<b>88,209,363</b>	<b>128,907,920</b>	<b>15,031,192</b>
<b>Change in net assets.....</b>	<b>210,761,832</b>	<b>215,516,882</b>	<b>75,013,105</b>
<b>Net assets held in trust for employees' pension and postemployment benefits</b>			
<b>July 1.....</b>	<b>1,169,844,902</b>	<b>1,305,250,050</b>	<b>331,888,451</b>
<b>June 30.....</b>	<b>\$ 1,380,606,734</b>	<b>\$ 1,520,766,932</b>	<b>\$ 406,901,556</b>

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefit Funds		Eliminations	Total
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund		
\$ 1,601,455	\$ -	\$ 646,153	\$ -	\$ -	\$ -	\$ 84,071,931
-	-	-	24,963,027	-	-	38,963,027
689,554	-	609,437	-	-	-	67,333,013
111,102	-	16,463	-	-	(1,345,269)	-
7,379	-	-	-	-	-	7,379
-	-	-	1,999,918	-	-	3,381,505
-	-	-	431,529	-	-	2,183,712
<u>2,409,490</u>	<u>-</u>	<u>1,272,053</u>	<u>27,394,474</u>	<u>-</u>	<u>(1,345,269)</u>	<u>195,940,567</u>
7,192,492	1,162,467	2,684,041	528,985	1,774,680	-	13,905,239
-	-	-	-	-	-	577,606,430
957,771	942,626	286,497	74,889	-	-	2,261,783
189	1,678,303	418	197,046	1,142	-	2,359,876
197	2,099	-	-	-	-	1,527,001
-	218	-	1,100	-	-	643,781
<u>8,150,649</u>	<u>3,785,713</u>	<u>2,970,956</u>	<u>802,020</u>	<u>1,775,822</u>	<u>-</u>	<u>598,304,110</u>
-	342,888	-	-	61,547	-	13,617,379
-	-	-	-	-	-	375,531
-	342,888	-	-	61,547	-	13,992,910
<u>8,150,649</u>	<u>3,442,825</u>	<u>2,970,956</u>	<u>802,020</u>	<u>1,714,275</u>	<u>-</u>	<u>584,311,200</u>
<u>10,560,139</u>	<u>3,442,825</u>	<u>4,243,009</u>	<u>28,196,494</u>	<u>1,714,275</u>	<u>(1,345,269)</u>	<u>780,251,767</u>
2,450,124	6,908,397	1,452,909	-	-	-	214,757,312
-	-	-	24,878,272	274,073	-	43,902,020
-	-	-	-	-	-	4,226,308
-	-	-	-	-	-	764,430
-	-	-	-	-	(1,345,269)	-
-	-	-	-	-	-	260,980
<u>49,906</u>	<u>-</u>	<u>87,439</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>2,993,344</u>
<u>2,500,030</u>	<u>6,908,397</u>	<u>1,540,348</u>	<u>24,878,340</u>	<u>274,073</u>	<u>(1,345,269)</u>	<u>266,904,394</u>
8,060,109	(3,465,572)	2,702,661	3,318,154	1,440,202	-	513,347,373
<u>37,061,751</u>	<u>82,093,423</u>	<u>13,380,432</u>	<u>7,897,382</u>	<u>9,554,653</u>	<u>-</u>	<u>2,956,971,044</u>
<u>\$ 45,121,860</u>	<u>\$ 78,627,851</u>	<u>\$ 16,083,093</u>	<u>\$ 11,215,536</u>	<u>\$ 10,994,855</u>	<u>\$ -</u>	<u>\$ 3,470,318,417</u>

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**Agency Funds' Descriptions**

**Retirement System Contributions and Withholdings Fund** – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

**Federal Income Tax Withholdings Fund** – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

**State Income Tax Withholdings Fund** – This fund holds employees' state income tax withholdings are held until they are paid to the State.

**Social Security Tax Contributions and Withholdings Fund** – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

**Employees Credit Union Withholding Fund** – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

**Employees Insurance Contributions and Withholdings Fund** – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

**Employees Deferred Income Withholdings Fund** – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

**Other Employee Contributions and Withholdings Fund** – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

**Vendor and Other Deposits Fund** – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

**Child Support Collections Fund** – This is the fund where child support receipts are held until paid to the correct recipient.

**STATE OF VERMONT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 87,577,653	\$ 87,577,653	\$ -
Accounts receivable.....	2,697	1,647	2,697	1,647
Total assets.....	<u>\$ 2,697</u>	<u>\$ 87,579,300</u>	<u>\$ 87,580,350</u>	<u>\$ 1,647</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 87,577,653	\$ 87,577,653	\$ -
Interfund payable.....	2,697	1,647	2,697	1,647
Total liabilities.....	<u>\$ 2,697</u>	<u>\$ 87,579,300</u>	<u>\$ 87,580,350</u>	<u>\$ 1,647</u>
<b>FEDERAL INCOME TAX WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 17,302	\$ 48,611,946	\$ 48,629,248	\$ -
Accounts receivable.....	-	2,860	-	2,860
Total assets.....	<u>\$ 17,302</u>	<u>\$ 48,614,806</u>	<u>\$ 48,629,248</u>	<u>\$ 2,860</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 17,302	\$ 48,611,946	\$ 48,629,248	\$ -
Interfund payable.....	-	2,860	-	2,860
Total liabilities.....	<u>\$ 17,302</u>	<u>\$ 48,614,806</u>	<u>\$ 48,629,248</u>	<u>\$ 2,860</u>
<b>STATE INCOME TAX WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 239	\$ 13,986,212	\$ 13,986,451	\$ -
Accounts receivable.....	-	783	-	783
Total assets.....	<u>\$ 239</u>	<u>\$ 13,986,995</u>	<u>\$ 13,986,451</u>	<u>\$ 783</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 239	\$ 13,986,212	\$ 13,986,451	\$ -
Interfund payable.....	-	783	-	783
Total liabilities.....	<u>\$ 239</u>	<u>\$ 13,986,995</u>	<u>\$ 13,986,451</u>	<u>\$ 783</u>
<b>SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 63,654,602	\$ 63,654,236	\$ 366
Accounts receivable.....	16,899	-	16,899	-
Total assets.....	<u>\$ 16,899</u>	<u>\$ 63,654,602</u>	<u>\$ 63,671,135</u>	<u>\$ 366</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 63,654,602	\$ 63,654,236	\$ 366
Interfund payable.....	16,899	-	16,899	-
Total liabilities.....	<u>\$ 16,899</u>	<u>\$ 63,654,602</u>	<u>\$ 63,671,135</u>	<u>\$ 366</u>
<b>EMPLOYEES CREDIT UNION WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 37,491,482	\$ 37,491,482	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ 37,491,482</u>	<u>\$ 37,491,482</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 37,491,482	\$ 37,491,482	\$ -
Total liabilities.....	<u>\$ -</u>	<u>\$ 37,491,482</u>	<u>\$ 37,491,482</u>	<u>\$ -</u>
<b>EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 109,254,702	\$ 109,254,519	\$ 183
Accounts receivable.....	228	-	228	-
Total assets.....	<u>\$ 228</u>	<u>\$ 109,254,702</u>	<u>\$ 109,254,747</u>	<u>\$ 183</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 109,254,702	\$ 109,254,519	\$ 183
Interfund payable.....	228	-	228	-
Total liabilities.....	<u>\$ 228</u>	<u>\$ 109,254,702</u>	<u>\$ 109,254,747</u>	<u>\$ 183</u>

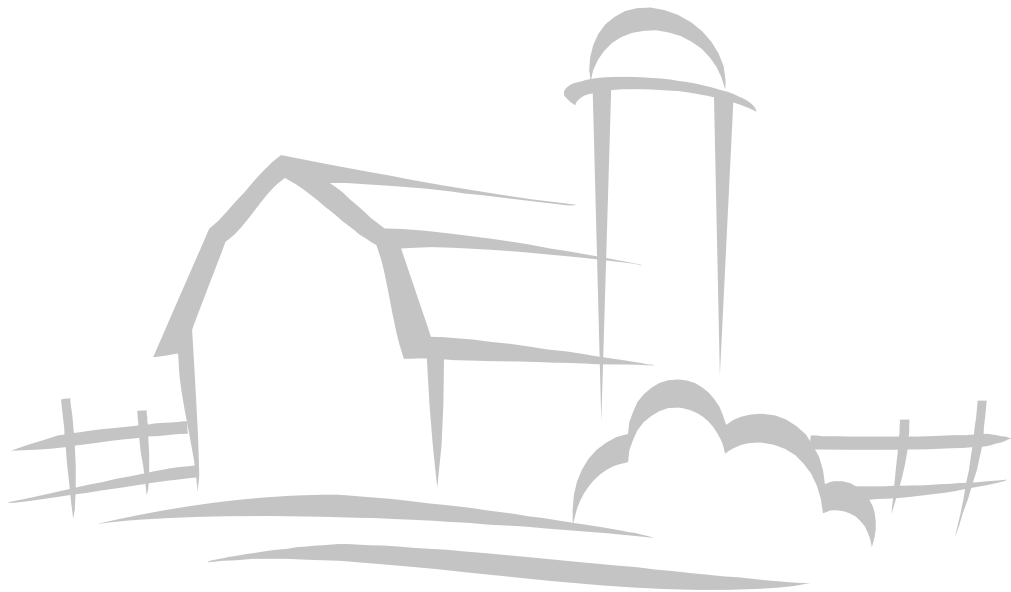
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**STATE OF VERMONT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 14,617,616	\$ 14,617,616	\$ -
Accounts receivable.....	348	-	348	-
Total assets.....	<u>\$ 348</u>	<u>\$ 14,617,616</u>	<u>\$ 14,617,964</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 14,617,616	\$ 14,617,616	\$ -
Interfund payable.....	348	-	348	-
Total liabilities.....	<u>\$ 348</u>	<u>\$ 14,617,616</u>	<u>\$ 14,617,964</u>	<u>\$ -</u>
<b>OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 42,328	\$ 8,541,195	\$ 8,514,067	\$ 69,456
Accounts receivable.....	102,823	40,257	102,823	40,257
Total assets.....	<u>\$ 145,151</u>	<u>\$ 8,581,452</u>	<u>\$ 8,616,890</u>	<u>\$ 109,713</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 43,388	\$ 8,541,208	\$ 8,515,127	\$ 69,469
Interfund payable.....	101,763	40,244	101,763	40,244
Total liabilities.....	<u>\$ 145,151</u>	<u>\$ 8,581,452</u>	<u>\$ 8,616,890</u>	<u>\$ 109,713</u>
<b>VENDOR AND OTHER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 4,212,457	\$ 41,291,579	\$ 40,203,394	\$ 5,300,642
Taxes receivable.....	1,630,842	2,639,380	1,630,842	2,639,380
Accounts receivable.....	132,340	1,928,831	431,028	1,630,143
Total assets.....	<u>\$ 5,975,639</u>	<u>\$ 45,859,790</u>	<u>\$ 42,265,264</u>	<u>\$ 9,570,165</u>
<b>LIABILITIES</b>				
Amounts held in custody for others.....	\$ 1,965,266	\$ 11,988,772	\$ 12,222,408	\$ 1,731,630
Intergovernmental payables.....	3,100,904	28,306,438	24,754,890	6,652,452
Other liabilities.....	791,901	4,991,860	4,755,902	1,027,859
Interfund payable.....	117,568	115,001	74,345	158,224
Total liabilities.....	<u>\$ 5,975,639</u>	<u>\$ 45,402,071</u>	<u>\$ 41,807,545</u>	<u>\$ 9,570,165</u>
<b>CHILD SUPPORT COLLECTIONS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 1,222,078	\$ 56,009,605	\$ 55,847,773	\$ 1,383,910
Accounts receivable.....	-	2,963	-	2,963
Total assets.....	<u>\$ 1,222,078</u>	<u>\$ 56,012,568</u>	<u>\$ 55,847,773</u>	<u>\$ 1,386,873</u>
<b>LIABILITIES</b>				
Amounts held in custody for others.....	\$ 1,222,078	\$ 56,012,568	\$ 55,847,773	\$ 1,386,873
Total liabilities.....	<u>\$ 1,222,078</u>	<u>\$ 56,012,568</u>	<u>\$ 55,847,773</u>	<u>\$ 1,386,873</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash.....	\$ 5,494,404	\$ 481,036,592	\$ 479,776,439	\$ 6,754,557
Taxes receivable.....	1,630,842	2,639,380	1,630,842	2,639,380
Accounts receivable.....	255,335	1,977,341	554,023	1,678,653
Total assets.....	<u>\$ 7,380,581</u>	<u>\$ 485,653,313</u>	<u>\$ 481,961,304</u>	<u>\$ 11,072,590</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 60,929	\$ 383,735,421	\$ 383,726,332	\$ 70,018
Amounts held in custody for others.....	3,187,344	68,001,340	68,070,181	3,118,503
Intergovernmental payables.....	3,100,904	28,306,438	24,754,890	6,652,452
Other liabilities.....	791,901	4,991,860	4,755,902	1,027,859
Interfund payable.....	239,503	160,535	196,280	203,758
Total liabilities.....	<u>\$ 7,380,581</u>	<u>\$ 485,195,594</u>	<u>\$ 481,503,585</u>	<u>\$ 11,072,590</u>

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**Vermont Economic Development Authority** – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

**Vermont Housing & Conservation Board** – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

**Vermont Sustainable Jobs Fund** – This is a not for profit entity set up to implement a jobs program.

**Vermont Municipal Bond Bank** – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

**Vermont Educational and Health Buildings Financing Agency** – This purpose of this agency is to provide tax-exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

**Vermont Center for Geographic Information, Inc.** – This not for profit organization was created to implement and maintain a geographic information system.

**Vermont Veterans' Home** – The Vet's home provides care to those that have given to their country and the State of Vermont.

**Vermont Rehabilitation Corporation** – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

**Vermont Film Corporation** - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.



**STATE OF VERMONT**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS**  
**JUNE 30, 2011**

	Vermont Economic Development Authority 6/30/2011	Vermont Housing & Conservation Board 6/30/2011	Vermont Sustainable Jobs Fund 6/30/2011	Vermont Municipal Bond Bank 12/31/2010	Vermont Educational and Health Buildings Financing Agency 12/31/2010
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents.....	\$ 2,005,098	\$ 6,158,537	\$ 148,597	\$ 3,218,632	\$ 1,209,010
Investments.....	2,455,356	-	-	9,945,918	-
Accounts receivable, net.....	-	-	-	26,236	11,340
Accrued interest receivable - loans.....	229,302	19,843,465	-	2,068,009	-
Loans and notes receivable - current portion.....	10,897,854	329,306	-	42,482,138	-
Other receivables.....	-	61,224	162,432	-	-
Due from federal government.....	-	20,300,183	-	-	-
Due from primary government.....	-	3,276,859	-	-	-
Inventories, at cost.....	-	-	-	-	-
Other current assets and deferred outflows.....	714,416	3,505,201	7,235	-	-
<b>Total current assets.....</b>	<b>16,302,026</b>	<b>53,474,775</b>	<b>318,264</b>	<b>57,740,933</b>	<b>1,220,350</b>
Restricted and Noncurrent Assets					
Cash.....	327,732	-	-	254,056	-
Investments.....	24,040,000	-	250,000	48,277,587	-
Deferred bond issue costs.....	-	-	-	6,039,199	-
Loans and notes receivable, net.....	121,695,457	132,862,010	-	437,749,795	-
Other assets.....	-	-	-	-	-
<b>Total restricted and noncurrent assets.....</b>	<b>146,063,189</b>	<b>132,862,010</b>	<b>250,000</b>	<b>492,320,637</b>	<b>-</b>
Capital Assets					
Land.....	500,000	-	-	-	-
Construction in progress.....	-	-	-	-	-
Capital assets being depreciated					
Buildings and leasehold improvements.....	4,749,472	225,145	-	-	-
Equipment, furniture and fixtures.....	734,345	44,879	20,366	-	-
Less accumulated depreciation.....	(911,450)	(84,203)	(14,391)	-	-
<b>Total capital assets, net of depreciation.....</b>	<b>5,072,367</b>	<b>185,821</b>	<b>5,975</b>	<b>-</b>	<b>-</b>
<b>Total assets.....</b>	<b>167,437,582</b>	<b>186,522,606</b>	<b>574,239</b>	<b>550,061,570</b>	<b>1,220,350</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable and accrued liabilities.....	900,139	202,069	114,356	29,258	22,390
Accrued interest payable.....	60,631	-	-	-	-
Bond interest payable.....	-	-	-	1,786,378	-
Unearned revenue.....	4,345,555	-	81,116	-	-
Other current liabilities.....	-	20,325,258	-	-	-
Current portion of long-term liabilities.....	109,291,449	-	-	46,980,167	-
Due to primary government.....	62,827	-	-	-	-
Escrowed cash deposits.....	199,619	-	-	-	-
Advances from primary government.....	1,142,663	-	-	-	-
<b>Total current liabilities.....</b>	<b>116,002,883</b>	<b>20,527,327</b>	<b>195,472</b>	<b>48,795,803</b>	<b>22,390</b>
Noncurrent Liabilities					
Bonds and notes payable.....	8,782,875	271,695	-	469,851,775	-
Accrued arbitrage rebate.....	-	-	-	242,788	-
Other noncurrent liabilities.....	-	-	-	-	-
<b>Total noncurrent liabilities.....</b>	<b>8,782,875</b>	<b>271,695</b>	<b>-</b>	<b>470,094,563</b>	<b>-</b>
<b>Total liabilities.....</b>	<b>124,785,758</b>	<b>20,799,022</b>	<b>195,472</b>	<b>518,890,366</b>	<b>22,390</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	1,957,763	185,821	-	-	-
Restricted.....	28,142,236	165,422,465	41,010	20,142,204	-
Unrestricted.....	12,551,825	115,298	337,757	11,029,000	1,197,960
<b>Total net assets.....</b>	<b>\$ 42,651,824</b>	<b>\$ 165,723,584</b>	<b>\$ 378,767</b>	<b>\$ 31,171,204</b>	<b>\$ 1,197,960</b>

See Independent Auditors' Report.

Vermont Center For Geographic Information, Inc. 6/30/2011	Vermont Veterans' Home 6/30/2011	Vermont Rehabilitation Corporation 6/30/2010	Vermont Film Corporation 6/30/2011	Vermont Telecommunications Authority 6/30/2011	Total Non-major Component Units
\$ 193,721	\$ 1,610,685	\$ 94,796	\$ 32	\$ 8,263,159	\$ 22,902,267
-	-	-	-	-	12,401,274
111,703	2,483,368	-	-	-	2,632,647
-	-	7,872	-	-	22,148,648
-	-	35,000	-	-	53,744,298
-	-	-	-	4,000	227,656
-	493,626	-	-	308,041	21,101,850
-	-	-	-	-	3,276,859
-	116,314	-	-	-	116,314
18,778	-	-	-	2,221	4,247,851
324,202	4,703,993	137,668	32	8,577,421	142,799,664
-	-	-	-	-	581,788
-	-	-	-	-	72,567,587
-	-	-	-	-	6,039,199
-	-	90,000	-	-	692,397,262
-	5,857	-	-	-	5,857
-	5,857	90,000	-	-	771,591,693
-	321,468	-	-	-	821,468
-	3,112,145	-	-	-	3,112,145
-	20,490,989	-	-	-	25,465,606
127,566	3,230,672	-	-	29,360	4,187,188
(110,313)	(14,128,505)	-	-	(12,453)	(15,261,315)
17,253	13,026,769	-	-	16,907	18,325,092
341,455	17,736,619	227,668	32	8,594,328	932,716,449
102,004	1,344,681	-	2,192	373,020	3,090,109
-	-	-	-	-	60,631
-	-	-	-	-	1,786,378
1,982	-	-	-	-	4,428,653
-	152,629	-	-	-	20,477,887
-	-	-	-	-	156,271,616
-	493,626	-	-	-	556,453
-	-	-	-	-	199,619
-	-	-	-	-	1,142,663
103,986	1,990,936	-	2,192	373,020	188,014,009
-	-	-	-	-	478,906,345
-	-	-	-	-	242,788
-	5,404	-	-	-	5,404
-	5,404	-	-	-	479,154,537
103,986	1,996,340	-	2,192	373,020	667,168,546
17,253	13,026,769	-	-	16,907	15,204,513
-	-	-	-	2,509,900	216,257,815
220,216	2,713,510	227,668	(2,160)	5,694,501	34,085,575
\$ 237,469	\$ 15,740,279	\$ 227,668	\$ (2,160)	\$ 8,221,308	\$ 265,547,903

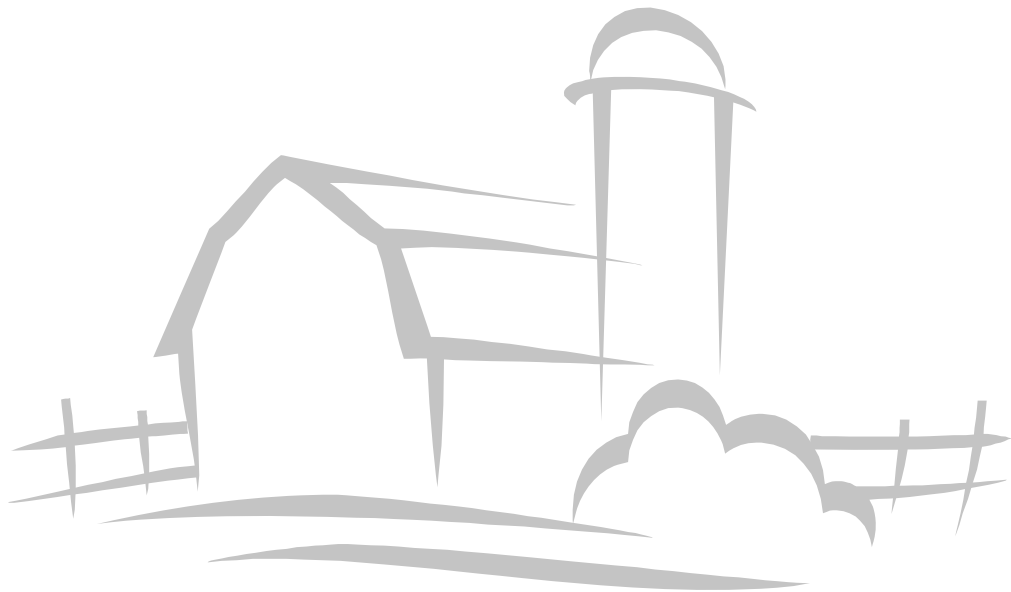
STATE OF VERMONT  
COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2011

	Vermont Economic Development Authority 6/30/2011	Vermont Housing & Conservation Board 6/30/2011	Vermont Sustainable Jobs Fund 6/30/2011	Vermont Municipal Bond Bank 12/31/2010	Vermont Educational and Health Buildings Financing Agency 12/31/2010
<b>Expenses</b>					
Salaries and benefits.....	\$ 2,693,409	\$ 2,021,404	\$ 315,839	\$ 88,374	\$ 45,692
Other expenses.....	3,073,421	14,155,340	817,144	21,663,729	291,240
Depreciation.....	214,747	16,278	-	-	-
Interest on debt.....	1,530,789	-	-	-	-
<b>Total expenses.....</b>	<b>7,512,366</b>	<b>16,193,022</b>	<b>1,132,983</b>	<b>21,752,103</b>	<b>336,932</b>
<b>Program Revenues</b>					
Charges for services.....	7,952,361	-	44,265	22,232,234	328,248
Operating grants and contributions.....	1,445,451	14,512,168	1,181,079	-	-
Capital grants and contributions.....	-	3,954,208	-	-	-
<b>Total program revenues.....</b>	<b>9,397,812</b>	<b>18,466,376</b>	<b>1,225,344</b>	<b>22,232,234</b>	<b>328,248</b>
<b>Net revenue (expense).....</b>	<b>1,885,446</b>	<b>2,273,354</b>	<b>92,361</b>	<b>480,131</b>	<b>(8,684)</b>
<b>General revenues</b>					
Property transfer tax.....	-	6,101,662	-	-	-
Investment income.....	495,931	1,964,598	-	4,043,110	149
Miscellaneous.....	-	101,396	-	-	-
<b>Total general revenues.....</b>	<b>495,931</b>	<b>8,167,656</b>	<b>-</b>	<b>4,043,110</b>	<b>149</b>
<b>Changes in net assets.....</b>	<b>2,381,377</b>	<b>10,441,010</b>	<b>92,361</b>	<b>4,523,241</b>	<b>(8,535)</b>
<b>Net assets (deficit) - beginning.....</b>	<b>40,270,447</b>	<b>155,282,574</b>	<b>286,406</b>	<b>26,647,963</b>	<b>1,206,495</b>
<b>Net assets (deficit) - ending.....</b>	<b>\$ 42,651,824</b>	<b>\$ 165,723,584</b>	<b>\$ 378,767</b>	<b>\$ 31,171,204</b>	<b>\$ 1,197,960</b>

See Independent Auditor's Report

Vermont Center For Geographic Information, Inc. 6/30/2011	Vermont Veterans' Home 6/30/2011	Vermont Rehabilitation Corporation 6/30/2010	Vermont Film Corporation 6/30/2011	Vermont Telecommunication Authority 6/30/2011	Total Non-major Component Units
\$ 523,503	\$ 12,156,122	\$ -	\$ 92,387	\$ 656,373	\$ 18,593,103
640,244	6,072,430	-	7,228	1,888,327	48,609,103
13,474	867,329	-	-	5,901	1,117,729
-	-	-	-	-	1,530,789
1,177,221	19,095,881	-	99,615	2,550,601	69,850,724
823,076	16,501,361	-	108,712	-	47,990,257
408,700	2,759,215	-	-	9,180,007	29,486,620
-	1,998,710	-	-	-	5,952,918
1,231,776	21,259,286	-	108,712	9,180,007	83,429,795
54,555	2,163,405	-	9,097	6,629,406	13,579,071
-	-	-	-	-	6,101,662
-	238	731	-	28,722	6,533,479
-	728,690	-	-	-	830,086
-	728,928	731	-	28,722	13,465,227
54,555	2,892,333	731	9,097	6,658,128	27,044,298
182,914	12,847,946	226,937	(11,257)	1,563,180	238,503,605
\$ 237,469	\$ 15,740,279	\$ 227,668	\$ (2,160)	\$ 8,221,308	\$ 265,547,903

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**STATISTICAL SECTION CONTENTS  
JUNE 30, 2011**

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

**Financial Trends** – Tables 1 through 4

These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

**Revenue Capacity** – Tables 5 through 7

These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

**Debt Capacity** – Tables 8 and 9

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

**Demographic and Economic Information** – Tables 10 and 11

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

**Operating Indicators** – Tables 12 through 14

These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

**STATE OF VERMONT**  
**Statistical Section - Table 1**  
**Financial Trends**  
**Net Assets by Component, Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands)*

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt....	\$ 1,607,970	\$ 1,456,846	\$ 1,318,708	\$ 1,245,908
Restricted.....	491,166	117,250	121,701	117,117
Unrestricted.....	(505,129)	(254,502)	(280,552)	(112,440)
Total governmental activities net assets.....	<u>1,594,007</u>	<u>1,319,594</u>	<u>1,159,857</u>	<u>1,250,585</u>
<b>Business-type Activities</b>				
Invested in capital assets, net of related debt...	857	944	937	584
Restricted.....	-	963	78,452	169,206
Unrestricted.....	(6,476)	3,057	3,656	3,328
Total business-type activities net assets.....	<u>(5,619)</u>	<u>4,964</u>	<u>83,045</u>	<u>173,118</u>
<b>Primary Government Totals</b>				
Invested in capital assets, net of related debt....	1,608,827	1,457,790	1,319,645	1,246,492
Restricted.....	491,166	118,213	200,153	286,323
Unrestricted.....	(511,605)	(251,445)	(276,896)	(109,112)
Total primary government net assets.....	<u>\$ 1,588,388</u>	<u>\$ 1,324,558</u>	<u>\$ 1,242,902</u>	<u>\$ 1,423,703</u>
<b>Discretely Presented Component Units</b>				
Invested in capital assets, net of related debt....	\$ 145,157	\$ 139,623	\$ 190,955	\$ 171,918
Restricted.....	807,031	728,751	610,237	605,214
Unrestricted.....	141,397	130,072	116,630	180,870
Total discretely presented units net assets.....	<u>\$ 1,093,585</u>	<u>\$ 998,446</u>	<u>\$ 917,822</u>	<u>\$ 958,002</u>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,161,200	\$ 1,080,092	\$ 1,055,464	\$ 1,001,389	\$ 928,021	\$ 783,951
143,355	167,490	111,943	121,352	90,218	94,310
(27,414)	(85,684)	(69,649)	(67,099)	(169,421)	(52,608)
<u>1,277,141</u>	<u>1,161,898</u>	<u>1,097,758</u>	<u>1,055,642</u>	<u>848,818</u>	<u>825,653</u>
412	372	484	465	534	505
194,832	209,321	227,856	238,548	264,989	314,711
3,743	4,015	3,846	3,530	3,122	3,607
<u>198,987</u>	<u>213,708</u>	<u>232,186</u>	<u>242,543</u>	<u>268,645</u>	<u>318,823</u>
1,161,612	1,080,464	1,055,948	1,001,854	928,555	784,456
338,187	376,811	339,799	359,900	355,207	409,021
(23,671)	(81,669)	(65,803)	(63,569)	(166,299)	(49,001)
<u>\$ 1,476,128</u>	<u>\$ 1,375,606</u>	<u>\$ 1,329,944</u>	<u>\$ 1,298,185</u>	<u>\$ 1,117,463</u>	<u>\$ 1,144,476</u>
\$ 165,901	\$ 165,431	\$ 171,459	\$ 151,213	\$ 154,068	\$ 159,352
606,080	516,629	470,245	446,998	404,227	364,794
231,293	239,323	215,839	205,625	182,060	177,587
<u>\$ 1,003,274</u>	<u>\$ 921,383</u>	<u>\$ 857,543</u>	<u>\$ 803,836</u>	<u>\$ 740,355</u>	<u>\$ 701,733</u>



**STATE OF VERMONT**  
**Statistical Section - Table 2**  
**Financial Trends**  
**Changes in Net Assets, Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands)*

	2011	2010	2009	2008
<b>Governmental activities</b>				
Expenses				
General government.....	\$ 161,192	\$ 169,294	\$ 116,802	\$ 101,536
Protection to persons and property.....	325,959	266,916	280,434	259,691
Human services.....	1,969,294	1,861,517	1,750,911	1,652,680
Labor.....	32,194	35,774	29,071	28,020
General education.....	1,670,517	1,688,315	1,657,335	1,614,447
Natural resources.....	106,875	73,004	98,136	95,657
Commerce and community development.....	48,206	71,762	33,310	36,954
Transportation.....	390,837	324,660	308,457	310,702
Public service enterprises.....	-	2,732	3,894	4,503
Interest on long-term debt.....	20,888	18,599	18,714	19,361
<b>Total expenses.....</b>	<b>4,725,962</b>	<b>4,512,573</b>	<b>4,297,064</b>	<b>4,123,551</b>
Program revenues				
Charges for services				
General government.....	22,092	22,037	23,076	20,973
Protection to persons and property.....	150,756	137,883	151,730	112,100
Human services.....	22,759	20,498	22,311	15,683
Natural resources.....	24,974	23,934	23,749	25,514
Transportation.....	119,422	108,229	81,435	86,370
Other.....	16,956	15,330	15,838	12,857
Operating grants and contributions.....	1,703,947	1,669,593	1,315,550	1,182,605
Capital grants and contributions.....	314,577	232,155	165,844	151,735
<b>Total program revenues.....</b>	<b>2,375,483</b>	<b>2,229,659</b>	<b>1,799,533</b>	<b>1,607,837</b>
<b>Total governmental activities net program expense...</b>	<b>(2,350,479)</b>	<b>(2,282,914)</b>	<b>(2,497,531)</b>	<b>(2,515,714)</b>
<b>General revenues and other changes in net assets</b>				
Taxes				
Personal and corporate income.....	677,862	563,170	572,032	698,305
Sales and use.....	323,353	316,755	317,599	336,164
Meals and rooms.....	122,558	118,926	117,842	119,758
Purchase and use.....	76,994	69,828	65,862	79,084
Motor fuel.....	63,712	64,061	64,303	65,080
Statewide property.....	917,936	909,758	876,408	798,905
Other taxes.....	379,269	333,770	326,519	317,438
Unrestricted investment earnings.....	2,966	3,448	2,636	8,732
Tobacco litigation settlement.....	33,864	36,216	42,879	38,236
Miscellaneous.....	4,158	3,364	2,178	3,555
Transfers.....	22,026	23,355	21,945	23,900
Extraordinary item				
Gain (loss) on forgiveness of debt.....	-	-	-	-
<b>Total general revenues and other changes in net assets.....</b>	<b>2,624,698</b>	<b>2,442,651</b>	<b>2,410,203</b>	<b>2,489,157</b>
<b>Total governmental activities change in net assets.....</b>	<b>\$ 274,219</b>	<b>\$ 159,737</b>	<b>\$ (87,328)</b>	<b>\$ (26,557)</b>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 114,688	\$ 110,055	\$ 130,521	\$ 98,474	\$ 51,574	\$ 87,432
255,621	233,163	213,426	196,014	186,818	173,209
1,518,969	1,445,868	1,392,266	1,299,866	1,185,924	1,046,569
24,740	21,154	20,583	26,290	27,907	25,972
1,622,441	1,555,674	1,446,411	1,149,533	1,096,988	1,035,751
85,901	82,814	78,422	72,892	69,460	71,367
31,947	32,252	35,651	29,863	33,849	36,782
307,899	301,626	269,066	251,789	236,214	257,520
1,890	1,994	1,650	1,898	1,898	2,002
20,072	21,047	19,307	22,591	26,358	23,549
<u>3,984,168</u>	<u>3,805,647</u>	<u>3,607,303</u>	<u>3,149,210</u>	<u>2,916,990</u>	<u>2,760,153</u>
52,384	46,749	59,498	44,679	11,603	9,699
115,546	97,700	78,017	81,276	79,397	73,460
14,807	33,475	20,717	22,778	30,391	24,892
23,078	23,868	24,438	20,829	18,963	24,057
86,295	74,646	69,299	68,374	63,779	54,870
7,511	4,789	4,355	7,762	7,518	8,781
1,083,832	1,072,042	1,032,577	1,096,789	935,183	831,069
167,181	128,658	130,646	113,007	116,023	144,364
<u>1,550,634</u>	<u>1,481,927</u>	<u>1,419,547</u>	<u>1,455,494</u>	<u>1,262,857</u>	<u>1,171,192</u>
<u>(2,433,534)</u>	<u>(2,323,720)</u>	<u>(2,187,756)</u>	<u>(1,693,716)</u>	<u>(1,654,133)</u>	<u>(1,588,961)</u>
679,886	612,566	568,059	496,302	404,948	429,431
332,314	327,075	312,395	264,337	205,206	217,685
116,888	111,570	111,980	109,915	95,355	100,623
80,591	80,987	84,047	86,363	82,089	79,455
65,427	67,580	67,335	68,654	71,258	69,223
878,714	813,588	732,330	487,535	453,868	424,244
331,017	317,187	294,257	329,544	284,253	236,995
11,286	7,426	6,664	3,130	4,602	4,529
24,986	24,057	26,206	25,820	30,545	31,001
3,432	2,277	5,875	7,195	2,447	2,284
24,236	23,548	20,723	19,957	16,582	16,930
-	-	-	-	(7,500)	-
<u>2,548,777</u>	<u>2,387,861</u>	<u>2,229,871</u>	<u>1,898,752</u>	<u>1,643,653</u>	<u>1,612,400</u>
<u>\$ 115,243</u>	<u>\$ 64,141</u>	<u>\$ 42,115</u>	<u>\$ 205,036</u>	<u>\$ (10,480)</u>	<u>\$ 23,439</u>

*continued on next page*

**STATE OF VERMONT**  
**Statistical Section - Table 2**  
**Financial Trends**  
**Changes in Net Assets, Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands)*

	2011	2010	2009	2008
<b>Business-type activities</b>				
Expenses				
Vermont Lottery Commission.....	\$ 74,147	\$ 75,940	\$ 74,895	\$ 79,596
Liquor Control.....	47,928	47,059	43,377	45,312
Unemployment Compensation.....	190,679	293,674	214,561	98,955
Other.....	4,761	1,943	2,471	3,140
<b>Total expenses.....</b>	<b>317,515</b>	<b>418,616</b>	<b>335,304</b>	<b>227,003</b>
Program revenues				
Charges for services				
Vermont Lottery Commission.....	95,543	97,485	95,983	102,001
Liquor Control.....	50,249	47,986	47,789	45,927
Unemployment Compensation.....	178,768	215,334	117,920	65,327
Other.....	4,423	1,738	2,341	3,027
<b>Total program revenues.....</b>	<b>328,983</b>	<b>362,543</b>	<b>264,033</b>	<b>216,282</b>
<b>Total business-type activities net program expense.....</b>	<b>11,468</b>	<b>(56,073)</b>	<b>(71,271)</b>	<b>(10,721)</b>
<b>General revenues and other changes in net assets</b>				
Unrestricted investment earnings.....	(23)	1,417	6,035	8,740
Miscellaneous.....	12	-	-	11
Capital asset transfers.....	-	-	-	-
Transfers.....	(22,026)	(23,355)	(21,945)	(23,900)
<b>Total general revenues and other changes in net assets.....</b>	<b>(22,037)</b>	<b>(21,938)</b>	<b>(15,910)</b>	<b>(15,149)</b>
<b>Total business-type activities change in net assets.....</b>	<b>\$ (10,569)</b>	<b>\$ (78,011)</b>	<b>\$ (87,181)</b>	<b>\$ (25,870)</b>
<b>Total primary government change in net assets.....</b>	<b>\$ 263,650</b>	<b>\$ 81,726</b>	<b>\$ (174,509)</b>	<b>\$ (52,427)</b>
<b>Component units</b>				
Expenses				
Vermont Student Assistance Corporation.....	\$ 111,490	\$ 123,148	\$ 153,088	\$ 199,476
University of Vermont and State Agricultural College.....	609,156	581,900	577,357	559,961
Vermont State Colleges.....	184,785	179,282	165,975	154,615
Vermont Housing Finance Agency.....	40,224	43,487	51,877	NA
Other.....	69,851	64,479	74,103	65,527
<b>Total expenses.....</b>	<b>1,015,506</b>	<b>992,296</b>	<b>1,022,400</b>	<b>979,579</b>
Program revenues				
Charges for services				
Vermont Student Assistance Corporation.....	63,072	63,758	82,628	106,106
University of Vermont and State Agricultural College.....	344,995	331,072	314,917	290,105
Vermont State Colleges.....	113,624	111,308	105,179	95,772
Vermont Housing Finance Agency.....	1,153	1,121	728	NA
Other.....	47,990	46,144	44,077	45,211
Operating grants and contributions.....	379,585	372,492	337,110	344,598
Capital grants and contributions.....	17,535	59,243	11,847	14,506
<b>Total program revenues.....</b>	<b>967,954</b>	<b>985,138</b>	<b>896,486</b>	<b>896,298</b>
<b>Total component units net program expense.....</b>	<b>(47,552)</b>	<b>(7,158)</b>	<b>(125,914)</b>	<b>(83,281)</b>
<b>General revenues and other changes in net assets</b>				
Taxes.....	6,102	6,101	12,464	15,483
Unrestricted investment earnings.....	117,674	49,250	(13,250)	19,393
Other.....	18,916	32,381	2,263	2,048
Extraordinary items				
Gain (loss) on forgiveness of debt.....	-	-	-	-
Loss on extinguishment of debt.....	-	-	-	-
<b>Total general revenues and other changes in net assets.....</b>	<b>142,692</b>	<b>87,732</b>	<b>1,477</b>	<b>36,924</b>
<b>Total component units changes in net assets.....</b>	<b>\$ 95,140</b>	<b>\$ 80,574</b>	<b>\$ (124,437)</b>	<b>\$ (46,357)</b>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 81,225	\$ 82,263	\$ 71,720	\$ 72,320	\$ 63,651	\$ 65,590
43,187	40,512	38,155	36,236	34,357	33,311
94,396	85,483	79,968	99,550	130,316	88,557
2,937	2,948	3,873	2,727	3,026	2,824
<u>221,745</u>	<u>211,206</u>	<u>193,716</u>	<u>210,833</u>	<u>231,350</u>	<u>190,282</u>
104,551	104,879	92,600	92,389	79,413	82,000
43,994	41,480	39,209	36,666	34,254	33,119
70,821	57,428	57,250	58,541	63,633	66,442
2,599	2,649	2,919	2,604	2,920	2,826
<u>221,965</u>	<u>206,436</u>	<u>191,978</u>	<u>190,200</u>	<u>180,220</u>	<u>184,387</u>
<u>220</u>	<u>(4,770)</u>	<u>(1,738)</u>	<u>(20,633)</u>	<u>(51,130)</u>	<u>(5,895)</u>
9,286	9,832	12,389	14,502	18,011	19,964
9	8	(275)	16	3	-
-	-	(40)	-	-	-
<u>(24,236)</u>	<u>(23,548)</u>	<u>(20,723)</u>	<u>(19,958)</u>	<u>(16,583)</u>	<u>(16,930)</u>
<u>(14,941)</u>	<u>(13,708)</u>	<u>(8,649)</u>	<u>(5,440)</u>	<u>1,431</u>	<u>3,034</u>
<u>\$ (14,721)</u>	<u>\$ (18,478)</u>	<u>\$ (10,387)</u>	<u>\$ (26,073)</u>	<u>\$ (49,699)</u>	<u>\$ (2,861)</u>
<u>\$ 100,522</u>	<u>\$ 45,663</u>	<u>\$ 31,728</u>	<u>\$ 178,963</u>	<u>\$ (60,179)</u>	<u>\$ 20,578</u>
\$ 176,918	\$ 154,884	\$ 130,083	\$ 94,333	\$ 93,829	\$ 99,644
505,403	453,127	423,317	406,661	379,503	345,610
141,662	135,103	125,540	118,800	106,498	100,251
NA	NA	NA	NA	NA	NA
70,646	61,848	58,683	61,499	61,390	59,013
<u>894,629</u>	<u>804,962</u>	<u>737,623</u>	<u>681,293</u>	<u>641,220</u>	<u>604,518</u>
106,540	84,537	65,044	59,562	57,775	60,200
262,342	241,837	215,925	201,196	182,705	178,577
91,035	83,361	76,557	69,422	58,679	57,995
NA	NA	NA	NA	NA	NA
44,386	41,441	41,326	37,405	37,124	32,725
343,609	335,395	317,304	302,914	285,898	262,976
19,094	10,651	16,618	9,857	12,350	10,038
<u>867,006</u>	<u>797,222</u>	<u>732,774</u>	<u>680,356</u>	<u>634,531</u>	<u>602,511</u>
<u>(27,623)</u>	<u>(7,740)</u>	<u>(4,849)</u>	<u>(937)</u>	<u>(6,689)</u>	<u>(2,007)</u>
13,764	15,671	12,604	12,604	11,088	11,088
93,754	55,018	45,837	53,154	27,195	5,911
1,504	891	65	205	62	-
-	-	-	-	7,500	-
-	-	-	-	(756)	-
<u>109,022</u>	<u>71,580</u>	<u>58,506</u>	<u>65,963</u>	<u>45,089</u>	<u>16,999</u>
<u>\$ 81,399</u>	<u>\$ 63,840</u>	<u>\$ 53,657</u>	<u>\$ 65,026</u>	<u>\$ 38,400</u>	<u>\$ 14,992</u>

**STATE OF VERMONT**  
**Statistical Section - Table 3**  
**Financial Trends**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(expressed in thousands)*

	2011	2010	2009	2008
<b>General Fund (GASB 54)</b>				
Nonspendable.....	\$ 2,204	\$ -	\$ -	\$ -
Restricted.....	-	-	-	-
Committed.....	60,165	-	-	-
Assigned.....	5,364	-	-	-
Unassigned.....	146,642	-	-	-
<b>General Fund (before GASB 54)</b>				
Reserved.....	-	67,159	103,187	101,265
Unreserved.....	-	72,503	46,713	54,458
<b>Total General Fund.....</b>	<b>\$ 214,376</b>	<b>\$ 139,662</b>	<b>\$ 149,900</b>	<b>\$ 155,723</b>
<b>All Other Governmental Funds (GASB 54)</b>				
Nonspendable.....	\$ 7,416	\$ -	\$ -	\$ -
Restricted.....	468,530	-	-	-
Committed.....	179,819	-	-	-
Assigned.....	323	-	-	-
Unassigned.....	(1,331)	-	-	-
<b>All Other Governmental Funds (before GASB 54)</b>				
Reserved.....	-	78,692	71,115	75,076
Unreserved, reported in				
Special revenue funds.....	-	215,804	98,211	145,881
Capital projects funds.....	-	21,850	24,758	32,616
Permanent funds.....	-	12,389	11,900	11,269
<b>Total All Other Governmental Funds.....</b>	<b>\$ 654,757</b>	<b>\$ 328,735</b>	<b>\$ 205,984</b>	<b>\$ 264,842</b>

In 2011 the State implemented GASB Statement No. 54. Under GASB Statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned or Unassigned. Prior to GASB 54, fund balances were classified as Reserved or Unreserved. Amounts for fiscal years 2010 and earlier have not been restated to reclassify these balances.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
94,973	93,133	95,058	92,751	52,691	51,696
68,057	68,317	68,610	61,975	47,062	97,898
<u>\$ 163,030</u>	<u>\$ 161,450</u>	<u>\$ 163,668</u>	<u>\$ 154,726</u>	<u>\$ 99,753</u>	<u>\$ 149,594</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
70,650	79,808	63,821	61,818	46,533	54,367
160,166	156,102	127,909	143,967	66,061	82,459
26,294	22,097	20,817	36,363	37,300	51,799
11,547	9,637	4,414	1,791	1,705	1,519
<u>\$ 268,657</u>	<u>\$ 267,644</u>	<u>\$ 216,961</u>	<u>\$ 243,939</u>	<u>\$ 151,599</u>	<u>\$ 190,144</u>

**STATE OF VERMONT**  
**Statistical Section - Table 4**  
**Financial Trends**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(expressed in thousands)*

	2011	2010	2009	2008
<b>Revenues</b>				
Taxes.....	\$ 2,539,488	\$ 2,370,547	\$ 2,372,150	\$ 2,409,101
Fees.....	105,503	85,052	82,561	61,444
Sales of services, rents and leases.....	18,218	21,002	23,723	17,697
Federal grants.....	2,008,105	1,926,853	1,426,347	1,317,932
Fines, forfeits and penalties.....	17,729	21,446	27,089	21,972
Investment income.....	6,337	5,553	4,056	11,994
Licenses.....	103,479	102,449	94,517	96,079
Special assessments.....	60,474	65,675	59,196	44,802
Other revenues.....	90,179	79,185	86,115	80,021
<b>Total revenues.....</b>	<b>4,949,512</b>	<b>4,677,762</b>	<b>4,175,754</b>	<b>4,061,042</b>
<b>Expenditures</b>				
General government.....	140,016	139,166	96,344	85,545
Protection to persons and property.....	302,765	265,368	265,402	250,028
Human services.....	1,956,180	1,857,822	1,717,878	1,637,940
Labor.....	19,551	19,781	13,565	27,056
General education.....	1,618,734	1,623,796	1,583,191	1,533,340
Natural resources.....	100,830	95,142	111,567	97,321
Commerce and community development.....	35,435	70,515	19,941	35,465
Transportation.....	536,660	448,047	379,344	369,815
Public service enterprises.....	-	2,732	3,893	4,502
Capital outlay.....	78,421	73,584	56,289	37,208
Debt service				
Interest.....	23,754	22,727	23,369	22,083
Principal.....	48,158	48,015	48,090	46,615
<b>Total expenditures.....</b>	<b>4,860,504</b>	<b>4,666,695</b>	<b>4,318,873</b>	<b>4,146,918</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>89,008</b>	<b>11,067</b>	<b>(143,119)</b>	<b>(85,876)</b>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of bonds.....	89,400	72,000	50,500	46,000
Proceeds from the sale of refunding bonds.....	-	42,310	-	29,195
Premium on the sale of bonds.....	1,602	1,457	1,850	798
Payment to bond escrow agent.....	-	(42,230)	-	(29,375)
Premium on the sale of short-term notes.....	-	-	-	-
Transfers in.....	783,696	1,332,246	1,328,985	1,212,740
Transfers out.....	(758,137)	(1,304,333)	(1,302,897)	(1,184,603)
<b>Total other financing sources (uses).....</b>	<b>116,561</b>	<b>101,450</b>	<b>78,438</b>	<b>74,755</b>
<b>Extraordinary item</b>				
Loss on forgiveness of debt.....	-	-	-	-
<b>Net change in fund balances.....</b>	<b>\$ 205,569</b>	<b>\$ 112,517</b>	<b>\$ (64,681)</b>	<b>\$ (11,121)</b>
Debt service as a percentage of noncapital expenditures.....	1.50%	1.54%	1.68%	1.67%

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,460,571	\$ 2,337,341	\$ 2,160,131	\$ 1,831,302	\$ 1,615,245	\$ 1,600,726
70,221	52,813	58,291	46,613	47,770	36,709
13,724	13,455	13,251	14,212	14,032	15,614
1,243,958	1,195,619	1,149,687	1,195,394	1,036,189	964,142
19,315	19,172	19,383	22,136	15,151	14,209
17,317	11,469	7,906	4,580	5,562	6,883
92,593	82,772	79,897	78,414	71,827	66,127
29,062	27,320	25,154	25,866	22,454	21,629
71,338	58,328	69,137	77,711	85,138	78,527
<u>4,018,099</u>	<u>3,798,289</u>	<u>3,582,837</u>	<u>3,296,228</u>	<u>2,913,368</u>	<u>2,804,566</u>
66,605	63,455	69,638	59,421	56,610	71,395
247,732	227,085	222,239	200,556	184,258	174,438
1,521,057	1,433,190	1,397,574	1,298,524	1,200,629	1,064,306
24,488	21,090	20,946	26,193	27,905	26,285
1,609,653	1,513,712	1,414,259	1,119,928	1,067,249	1,021,059
97,456	93,673	82,298	76,195	84,602	86,309
30,608	30,843	35,026	28,628	32,964	34,095
379,347	321,421	310,061	289,728	284,979	311,109
1,890	1,994	1,650	1,898	1,898	2,002
37,035	43,063	52,774	41,196	40,702	34,728
23,033	21,959	22,005	27,213	23,688	23,804
46,097	45,272	45,348	43,621	49,526	45,411
<u>4,085,001</u>	<u>3,816,757</u>	<u>3,673,818</u>	<u>3,213,101</u>	<u>3,055,010</u>	<u>2,894,941</u>
<u>(66,902)</u>	<u>(18,468)</u>	<u>(90,981)</u>	<u>83,127</u>	<u>(141,642)</u>	<u>(90,375)</u>
44,500	45,000	41,000	42,200	35,800	51,000
-	-	23,267	146,554	31,555	-
305	744	93	1,839	2,414	123
-	-	(22,432)	(146,072)	(33,778)	-
-	-	-	-	679	-
1,092,593	1,155,078	478,210	438,310	401,290	347,615
<u>(1,067,903)</u>	<u>(1,133,889)</u>	<u>(447,193)</u>	<u>(418,645)</u>	<u>(382,223)</u>	<u>(326,203)</u>
<u>69,495</u>	<u>66,933</u>	<u>72,945</u>	<u>64,186</u>	<u>55,737</u>	<u>72,535</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,205)</u>	<u>-</u>
<u>\$ 2,593</u>	<u>\$ 48,465</u>	<u>\$ (18,036)</u>	<u>\$ 147,313</u>	<u>\$ (88,110)</u>	<u>\$ (17,840)</u>
1.71%	1.78%	1.86%	2.23%	2.43%	2.42%



**STATE OF VERMONT**  
**Statistical Section - Table 5**  
**Revenue Capacity**  
**Personal Income and Earnings by Major Industry**  
**Last Ten Fiscal Years**  
*(expressed in thousands)*

	2011 (1)	2010	2009	2008
<b>Total personal income.....</b>	<b>\$ 26,161</b>	<b>\$ 25,100</b>	<b>\$ 24,273</b>	<b>\$ 24,593</b>
Earnings	15,330	14,947	16,563	16,928
Farm earnings.....	250	178	117	180
Non-farm earnings.....	15,080	14,769	16,446	16,748
Private earnings.....	11,796	11,477	13,220	13,632
Forestry, fishing and related activities.....	55	55	59	65
Mining.....	43	43	46	53
Utilities.....	251	246	230	233
Construction.....	1,119	1,134	1,100	1,218
Manufacturing.....	-	-	2,074	2,239
Durable goods.....	(3)	(3)	1,586	1,726
Nondurable goods.....	(3)	(3)	488	513
Wholesale trade.....	680	638	629	654
Retail trade.....	1,423	1,382	1,348	1,375
Transportation and warehousing.....	410	382	372	383
Information.....	316	311	319	331
Finance and insurance.....	741	746	740	763
Real estate, rental and leasing.....	241	219	232	213
Professional and technical services.....	1,402	1,355	1,246	1,321
Management of companies and enterprises.....	102	85	73	71
Administrative and waste services.....	416	392	386	387
Education services.....	526	528	538	526
Healthcare and social assistance.....	2,545	2,475	2,419	2,355
Arts, entertainment and recreation.....	146	143	136	134
Accommodations and food services.....	745	718	665	700
Other services, except public administration.....	635	625	608	611
Government and government enterprises.....	3,284	3,292	3,226	3,116
Federal, civilian.....	636	639	615	579
Military.....	231	214	209	183
State and local.....	2,417	2,439	2,402	2,354
State.....	NA	1,003	1,005	1,016
Local.....	NA	1,436	1,397	1,338
Other personal income <sup>(2)</sup> .....	10,831	10,153	7,710	7,665
Average effective tax rate <sup>(4)</sup> .....	NA	2.09%	2.26%	2.49%

(1) Data for 2011 are projected annual estimates based on information through 2011 second quarter.

(2) Includes non-earned income, such as interest and dividends, rental income and government transfers to individuals.

(3) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.

(4) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income.

**Source of collections data: Vermont Department of Taxes**

**Source: U.S. Department of Commerce, Bureau of Economic Analysis**

2007	2006	2005	2004	2003	2002
\$ 23,580	\$ 22,341	\$ 20,697	\$ 20,234	\$ 19,129	\$ 18,460
16,636	16,210	15,604	15,058	14,164	13,607
220	119	200	190	145	113
16,416	16,091	15,404	14,868	14,019	12,661
13,471	13,238	12,665	12,276	11,585	10,419
65	69	65	65	64	67
58	58	39	42	42	42
211	204	191	191	166	167
1,337	1,385	1,286	1,242	1,128	1,078
2,274	2,220	2,208	2,163	2,132	2,210
1,755	1,708	1,696	1,656	1,632	1,714
519	512	512	508	500	496
664	646	608	593	580	551
1,372	1,382	1,360	1,317	1,253	1,201
397	398	392	378	349	342
334	327	325	328	318	(3)
782	739	713	681	668	627
178	203	215	219	204	207
1,237	1,221	1,080	1,015	938	891
13	14	23	21	20	19
374	372	354	348	305	302
496	483	454	447	403	388
2,185	2,068	1,941	1,845	1,729	1,619
139	140	130	129	115	107
716	675	668	663	629	602
638	635	612	589	542	(3)
2,945	2,853	2,739	2,592	2,435	2,242
536	519	504	489	444	409
159	152	164	149	140	98
2,251	2,182	2,071	1,954	1,851	1,734
967	936	884	834	782	740
1,283	1,245	1,187	1,120	1,069	994
6,945	6,131	5,092	5,176	4,965	4,853
2.48%	2.45%	2.29%	2.17%	2.17%	2.26%

**STATE OF VERMONT**  
**Statistical Section - Table 6**  
**Revenue Capacity**  
**Personal Income Tax Rates and Tax Calculations**  
**Last Ten Calendar Years**

Calendar Year	Tax Rates for Taxable Income Within Range, Single Filing Status (1)					Tax Collections (000's)	Personal Income (4) (000's)	Average Effective Tax Rate
	3.6%	7.0%	8.3%	8.9%	9.4%			
2010	(3) \$ 0 - \$34,000	\$34,001 - \$82,400	\$82,401 - \$171,850	\$171,851 - \$373,650	> \$373,650	\$ 489,224	\$ 25,099,622	1.95%
2009	\$ 0 - \$33,950	\$33,951 - \$82,250	\$82,251 - \$171,550	\$171,551 - \$372,950	> \$372,950	\$ 507,525	\$ 24,273,382	2.09%
2008	\$ 0 - \$32,550	\$32,551 - \$78,850	\$78,851 - \$164,550	\$164,551 - \$357,700	> \$357,700	\$ 549,948	\$ 24,593,349	2.24%
2007	\$ 0 - \$31,850	\$31,851 - \$77,100	\$77,101 - \$160,850	\$160,851 - \$349,700	> \$349,700	\$ 588,173	\$ 23,580,349	2.49%
2006	\$ 0 - \$30,650	\$30,651 - \$74,200	\$74,201 - \$154,800	\$154,810 - \$336,550	> \$336,550	\$ 553,846	\$ 22,341,107	2.48%
2005	\$ 0 - \$29,700	\$29,701 - \$71,950	\$71,951 - \$150,150	\$150,151 - \$326,450	> \$326,450	\$ 507,701	\$ 20,696,717	2.45%
2004	\$ 0 - \$29,050	\$29,051 - \$70,350	\$70,351 - \$146,750	\$146,751 - \$319,100	> \$319,100	\$ 463,755	\$ 20,234,033	2.29%
2003	\$ 0 - \$28,400	\$28,401 - \$68,800	\$68,801 - \$143,500	\$143,501 - \$311,951	> \$311,950	\$ 415,020	\$ 19,129,031	2.17%
2002	\$ 0 - \$27,950	\$27,951 - \$67,700	\$67,701 - \$141,250	\$141,251 - \$307,050	> \$307,050	\$ 400,120	\$ 18,459,720	2.17%
2001	(2) \$0 - \$27,050	\$27,051 - \$65,550	\$65,551 - \$136,750	\$136,751 - \$297,350	> \$297,350	\$ 400,522	\$ 17,741,649	2.26%

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2001, the tax rates applied to the five income ranges for single status filers were 3.6%, 6.72%, 7.44%, 8.64% and 9.5% respectively.

(3) For 2010, the tax rates applied to the five income ranges for single status filers were 3.55%, 6.80%, 7.80%, 8.80% and 8.95% respectively.

(4) See Statistical Section Table 5 for additional detail regarding personal income.

**Source: Vermont Department of Taxes**

**STATE OF VERMONT**  
**Statistical Section - Table 7**  
**Revenue Capacity**  
**Personal Income Tax Filers and Liability by Income Level**  
**Calendar Years 2010 and 2001**

Income Level	Calendar Year 2010 (1)				
	Number of Filers	Percentage of Total Filers	State Taxable Income ( 2)	State Personal Income Tax (net) (3)	Percentage of Total State
\$300,000 and higher	1,940	0.56%	\$ 1,289,311,500	\$ 86,205,382	17.62%
\$150,000 - \$299,999	5,423	1.55%	1,083,285,916	62,200,156	12.71%
\$100,000 - \$149,999	9,758	2.80%	1,168,238,739	58,458,280	11.95%
\$75,000 - \$99,999	14,449	4.14%	1,239,518,007	56,144,065	11.48%
\$50,000 - \$74,999	31,513	9.03%	1,925,447,218	75,467,311	15.43%
\$25,000 - \$49,999	60,494	17.33%	2,188,186,158	77,799,113	15.90%
\$10,000 - \$24,999	58,582	16.79%	1,004,420,759	34,270,817	7.01%
\$9,999 and lower	120,877	34.64%	244,275,573	8,389,712	1.71%
Out of State	45,945	13.16%	7,636,402,454	30,289,388	6.19%
Totals	348,981	100.00%	\$ 17,779,086,324	\$ 489,224,224	100.00%

Income Level	Calendar Year 2001				
	Number of Filers	Percentage of Total Filers	State Taxable Income (2)	State Personal Income Tax (net) (3)	Percentage of Total State
\$300,000 and higher	1,364	0.41%	\$ 953,658,691	\$ 58,894,324	14.70%
\$150,000 - \$299,999	3,330	1.00%	669,613,095	39,434,026	9.85%
\$100,000 - \$149,999	5,667	1.71%	677,823,999	35,247,173	8.80%
\$75,000 - \$99,999	8,629	2.60%	737,993,303	35,417,362	8.84%
\$50,000 - \$74,999	62,599	18.87%	1,498,690,329	64,226,759	16.04%
\$25,000 - \$49,999	24,881	7.50%	2,245,564,558	81,993,106	20.47%
\$10,000 - \$24,999	67,555	20.36%	1,149,907,159	39,684,252	9.91%
\$9,999 and lower	115,070	34.68%	289,064,588	10,193,905	2.54%
Out of State	42,688	12.87%	7,804,458,396	35,431,030	8.85%
Totals	331,783	100.00%	\$ 16,026,774,118	\$ 400,521,937	100.00%

(1) Information for Tax Year 2010 is preliminary data for returns processed through October 24, 2011.

(2) State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.

(3) State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

**Source: Vermont Department of Taxes**

**STATE OF VERMONT**  
**Statistical Section - Table 8**  
**Debt Capacity**  
**Ratios of Outstanding Debt by Type, Last Ten Years**  
*(Expressed in Thousands, Except per Capita)*

Fiscal Year	Governmental Activities					Total Primary Government	Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
	General Obligation Current Interest Bonds	Special Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total Bonds	Capital Leases			
2011	489,445	13,835	6,296	509,576	4,340	513,916	1.96%	N/A
2010	459,935	-	12,856	472,791	4,820	477,611	1.90%	763
2009	433,975	-	19,007	452,982	4,908	457,890	1.89%	736
2008	429,360	-	25,110	454,470	384	454,854	1.85%	732
2007	426,415	-	30,840	457,255	600	457,855	1.94%	738
2006	425,060	-	36,214	461,274	741	462,015	2.07%	745
2005	422,212	-	41,178	463,390	694	464,084	2.24%	750
2004	423,287	-	45,836	469,123	-	469,123	2.32%	759
2003	422,755	-	51,030	473,785	-	473,785	2.48%	768
2002	430,735	-	55,730	486,465	-	486,465	2.64%	791

<sup>(1)</sup> Net of Unaccreted Interest

<sup>(2)</sup> See Statistical Section Table 5 for additional detail regarding personal income.

<sup>(3)</sup> See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

**STATE OF VERMONT**  
**Statistical Section - Table 9**  
**Debt Capacity**  
**Ratios of General Obligation Bonded Debt Outstanding**  
**Last Ten Fiscal Years\***  
*(Expressed in Thousands, Except Per Capita)*

<b>Fiscal Year</b>	<b>General Obligation Bonded Debt</b>	<b>State Taxable Personal Income (1)</b>	<b>Ratio of General Bonded Debt to Taxable Personal Income</b>	<b>General Bonded Debt Per Capita (2)</b>
2010	472,791	17,779,086	2.66%	755
2009	452,982	25,484,590	1.78%	729
2008	454,470	25,967,973	1.75%	732
2007	457,255	33,214,231	1.38%	737
2006	461,274	25,051,130	1.84%	744
2005	463,390	23,609,221	1.96%	749
2004	469,123	19,956,789	2.35%	759
2003	473,785	16,395,915	2.89%	768
2002	486,465	15,083,109	3.23%	791
2001	480,443	16,026,774	3.00%	785

\* State Taxable Personal Income is not available for the 2011 year, so the data reported here is for the ten years 2001-2010.

(1) Source: Vermont Department of Taxes.

(2) See Statistical Section Table 10 for population statistics.

**STATE OF VERMONT**  
**Statistical Section - Table 10**  
**Demographic and Economic Statistics**  
**Population, Per Capita Personal Income, Civilian Labor Force,**  
**Public School Enrollment, and Motor Vehicle Registration Data**  
**Last Ten Years\***

Year	Population (1)				Per Capita Personal Income (1)			
	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	Vermont as a Percentage of U.S.	
2010	309,349,689	0.76%	625,960	0.68%	\$ 39,945	\$ 40,098	100.38%	
2009	307,006,550	0.86%	621,760	0.11%	39,626	39,021	98.47%	
2008	304,374,846	0.93%	621,049	0.09%	40,673	39,236	96.47%	
2007	301,579,895	1.00%	620,460	0.08%	39,458	38,012	96.34%	
2006	298,593,212	0.96%	619,985	0.19%	37,698	36,035	95.59%	
2005	295,753,151	0.92%	618,814	0.11%	35,424	33,446	94.42%	
2004	293,045,739	0.94%	618,145	0.26%	33,881	32,733	96.61%	
2003	290,326,418	0.88%	616,559	0.26%	32,271	31,025	96.14%	
2002	287,803,914	0.95%	614,950	0.46%	31,461	30,018	95.41%	
2001	285,081,556	1.03%	612,153	0.37%	31,145	29,480	94.65%	

\* Most of the information for this table is not available for the 2011 year, so the data reported here is for the ten years 2001-2010.

(1) Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce. Date release date 11/16/11.

(2) Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted. Data release date 9/16/11.

(3) Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment.

(4) Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

**Civilian Labor Force (2)**

<b>State Employed</b>	<b>State Unemployed</b>	<b>State Total</b>	<b>State Unemploy- ment Rate</b>	<b>Public School Enrollment (3)</b>	<b>Motor Vehicles Registered (4)</b>
338,300	22,500	360,800	6.2%	91,239	618,750
334,900	24,800	359,700	6.9%	92,572	617,490
341,300	16,000	357,300	4.5%	94,114	624,306
340,800	13,900	354,700	3.9%	95,481	623,231
342,400	13,300	355,700	3.7%	96,636	621,685
336,600	12,200	348,800	3.5%	98,361	617,642
334,200	12,900	347,100	3.7%	99,104	609,852
331,300	15,500	346,800	4.5%	99,978	601,748
331,800	13,900	345,700	4.0%	101,180	588,906
330,100	11,100	341,200	3.3%	102,049	577,406



**STATE OF VERMONT**  
**Statistical Section - Table 11**  
**Demographic and Economic Information**  
**Annual Average Non-Farm Employment by Industry**  
**For the Years 2010 and 2001**

	2010			2001		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
<b>Total non-farm employment</b>	319,850		100.0%	322,550		100.0%
<b>Private total</b>	265,300		82.9%	272,300		84.4%
Natural resources and mining	750		0.2%	1,100		0.3%
Construction	13,400	8	4.2%	15,200	7	4.7%
Manufacturing	-		0.0%	-		0.0%
Durable goods	21,850	6	6.8%	33,450	3	10.4%
Nondurable goods	9,050		2.8%	12,100	9	3.8%
Wholesale trade	9,450		3.0%	10,050		3.1%
Retail trade	37,850	2	11.8%	39,900	1	12.4%
Transportation, warehousing and utilities	8,450		2.6%	8,650		2.7%
Information	5,350		1.7%	6,800		2.1%
Financial activities	-		0.0%	-		0.0%
Finance and insurance	9,250		2.9%	10,100		3.1%
Real estate and rental and leasing	3,000		0.9%	3,050		0.9%
Professional and business services	-		0.0%	-		0.0%
Professional and technical services	13,650	7	4.3%	12,400	8	3.8%
Management of companies and enterprises	23,150	4	7.2%	20,700	6	6.4%
Administrative and waste services	8,700		2.7%	8,000		2.5%
Educational and health services	-		0.0%	-		0.0%
Education services	12,700	9	4.0%	12,050	10	3.7%
Healthcare and social assistance	46,550	1	14.6%	35,850	2	11.1%
Leisure and hospitality	-		0.0%	-		0.0%
Arts, entertainment and recreation	3,800		1.2%	3,450		1.1%
Accommodations and food services	28,500	3	8.9%	29,500	4	9.1%
Other services, except public administration	9,850	10	3.1%	9,950		3.1%
<b>Government total</b>	54,550		17.1%	50,250		15.6%
Federal	6,800		2.1%	5,800		1.8%
State government education	8,450		2.6%	7,350		2.3%
Local government education	23,100	5	7.2%	21,250	5	6.6%
Other state government	9,000		2.8%	9,100		2.8%
Other local government	7,200		2.3%	6,750		2.1%

**Source: Vermont Department of Labor, Labor Market Information, data release date 09/16/11.**

Note - Data for specific businesses that comprise the top employers in the state is not available due to confidentiality regulations; thus information by industry is presented.

Totals may not add due to rounding.

**STATE OF VERMONT**  
**Statistical Section - Table 12**  
**Operating Information**  
**Full-Time Equivalent State Government Employees by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>2011 <sup>(4)</sup></b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>General Government</b>										
Administration	4	5	6	5	4	4	4	3	11	12
Auditor of Accounts	14	12	12	12	11	11	11	12	12	12
Buildings & General Services	355	353	380	424	417	424	396	399	419	422
Finance & Management	33	31	40	47	37	39	36	38	32	35
Executive (Governor's) Office	14	10	13	18	18	17	17	17	16	19
Information & Innovation <sup>1</sup>	70	72	53	61	57	50	49	51	0	0
Libraries	26	26	29	32	31	34	34	34	34	33
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources	72	37	47	51	59	57	56	56	54	56
State Treasurer	30	34	35	35	36	37	34	33	29	30
Taxes	159	155	169	181	176	183	184	183	179	189
Vermont Labor Relations Board	1	2	2	2	2	2	2	2	2	2
VOSHA Review Board	0	0	1	1	1	1	1	1	1	1
<b>Protection to Persons and Property</b>										
Agriculture, Food & Markets	85	83	90	98	96	95	89	87	81	85
Attorney General	73	69	69	71	69	72	68	67	62	69
BISHCA	107	107	109	110	108	105	99	93	89	84
Criminal Justice Training Council	9	7	12	10	10	11	11	8	6	7
Defender General	65	62	62	64	63	61	62	60	55	56
Labor & Industry <sup>2,3</sup>	0	0	n/a	n/a	n/a	n/a	43	85	82	82
Liquor Control	52	51	54	56	54	56	54	55	54	56
Military	123	121	126	126	117	118	109	111	104	112
Public Safety <sup>3</sup>	561	562	584	592	599	602	568	511	480	491
Public Service Department	55	53	50	50	52	49	47	51	51	51
Public Service Board	25	24	25	25	24	27	25	25	24	23
Secretary of State	61	63	63	52	52	51	48	50	46	43
State's Attorneys & Sheriffs	149	151	155	156	155	154	153	154	145	148
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	20	20	21	19	18	19	19	19	19	19
VT Fire Service Training Council <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	8	8
<b>Human Services <sup>2</sup></b>										
Children & Families	944	918	970	960	947	941	932	n/a	n/a	n/a
PATH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	414	406	422
Office of Child Care	n/a	n/a	n/a	n/a	n/a	n/a	n/a	124	119	119
Social & Rehabilitation Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	400	377	398
Vermont Office of Health Access	116	89	91	93	79	65	43	n/a	n/a	n/a
Aging & Disability	254	251	279	298	288	275	268	216	201	196
Corrections	1,003	1,011	1,045	1,115	1,150	1,146	1,129	1,101	947	967
Economic Opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6	8	8
Health	441	439	484	525	753	749	715	496	483	472
Developmental and Mental Health Services	235	243	233	237	n/a	n/a	n/a	96	102	104
Vermont State Hospital	n/a	n/a	n/a	n/a	n/a	n/a	n/a	178	173	152
Human Services	93	106	98	99	95	89	59	54	52	61
Governor's Commission on Women	3	3	3	3	3	3	3	3	3	3
Veteran's Home (discrete component unit)	193	200	206	200	204	190	188	195	192	193
<b>Employment &amp; Training</b>										
Department of Labor <sup>3</sup>	271	286	276	277	276	281	250	290	315	324
<b>General Education</b>										
Department of Education	151	156	181	184	194	196	182	181	174	185
<b>Natural Resources</b>										
Environmental Board	27	27	30	31	29	30	29	31	30	32
Environmental Conservation	250	250	262	283	285	286	273	264	256	257
Fish & Wildlife	124	122	126	130	124	119	121	118	117	116
Forsts, Parks & Recreation	98	98	108	114	113	113	111	119	115	118
Natural Resources	30	39	52	59	56	58	52	48	48	36
Water Resources Board	n/a	n/a	n/a	n/a	n/a	n/a	3	4	4	4
<b>Commerce &amp; Community Development</b>										
Agency of Commerce & Community Development	76	80	86	96	97	93	101	95	92	98
<b>Transportation</b>										
Agency of Transportation	1,190	1,216	1,233	1,253	1,255	1,242	1,255	1,284	1,257	1,241
	<b>7,669</b>	<b>7,651</b>	<b>7,977</b>	<b>8,262</b>	<b>8,221</b>	<b>8,161</b>	<b>7,940</b>	<b>7,936</b>	<b>7,573</b>	<b>7,658</b>

<sup>1</sup> New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings and General Services).

<sup>2</sup> In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005, the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

<sup>3</sup> In 2006 portions of the Department of Labor and Industry merged with the Department of Employment and Training and the new consolidated department was named the Department of Labor.

<sup>4</sup> Executive Order No. 01-10 consolidated human resource services statewide by transferring certain human resource positions within state government to the Department of Human Resources. The effective date of this consolidation was July 1, 2010.

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

**STATE OF VERMONT**  
**Statistical Section - Table 13**  
**Operating Information**  
**Operating Indicators by Function**  
**Last Eight Years**

	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function</b>								
<b>General Government</b>								
Square feet of State owned facilities <sup>1</sup>	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan membership <sup>2</sup>	45,936	45,507	45,354	44,947	44,015	43,171	42,097	41,424
Number of State employees (full-time and part-time) <sup>3</sup>	7,743	7,732	8,075	8,383	8,352	8,292	8,069	7,935
<b>Protections to Persons and Property <sup>4</sup></b>								
Number of State Agency law enforcement officers	n/a	413	405	397	399	399	405	393
Number of Sheriff's Department law enforcement officers	n/a	136	122	117	119	132	133	117
<b>Human Services <sup>5</sup></b>								
Total Corrections population	10,814	11,262	11,215	11,148	11,703	12,303	13,528	13,824
Immunization coverage, ages 19-35 months	n/a	64%	60%	65%	67%	75%	n/a	n/a
Bed nights in homeless shelters	133,355	130,939	120,464	100,473	112,715	98,786	101,647	100,028
<b>Employment &amp; Training <sup>6</sup></b>								
Number of Unemployment Compensation payments	n/a	499,360	629,794	374,278	318,235	304,612	295,674	309,121
<b>General Education <sup>7</sup></b>								
Statewide average expenditure per student	15,789	15,475	14,903	14,076	13,287	12,624	11,759	11,113
Total local education agencies	n/a	348	349	352	352	353	351	349
<b>Natural Resources</b>								
Gallons of maple syrup produced <sup>8</sup>	1,140,000	890,000	920,000	700,000	450,000	460,000	410,000	500,000
Number of moose permit applications <sup>9</sup>	n/a	12,028	14,228	13,839	13,199	11,987	13,091	13,382
<b>Commerce and Community Development</b>								
Net change in employer businesses <sup>10</sup>	n/a	(95)	159	(258)	(249)	(18)	n/a	n/a
Median purchase price of a new home <sup>11</sup>	n/a	195,000	190,000	200,000	201,000	197,000	182,000	165,000
Number of skier visits <sup>12</sup>	4.4 Million	4.1 million	4.0 million	4.3 million	3.8 million	4.1 million	4.4 million	4.2 million
<b>Transportation <sup>13</sup></b>								
Total snowplowing hours	n/a	73,734	110,770	144,488	174,022	123,674	339,987	182,690
Structurally deficient bridges	n/a	107	178	190	192	197	193	187
Paving projects (miles)	n/a	330	169	109	113	122	90	117

n/a - Information not available at time of printing.

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

**Sources:**

<sup>1</sup> Vermont Department of Buildings & General Services, Space Book

<sup>2</sup> Vermont Office of the State Treasurer

<sup>3</sup> Vermont Department of Human Resources

<sup>4</sup> Vermont Department of Public Safety

<sup>5</sup> Vermont Agency of Human Services

<sup>6</sup> Vermont Department of Labor

<sup>7</sup> Vermont Department of Education

<sup>8</sup> US Department of Agriculture

<sup>9</sup> Vermont Agency of Natural Resources

<sup>10</sup> bls.gov

<sup>11</sup> housingawareness.org

<sup>12</sup> skivermont.com

<sup>13</sup> Vermont Agency of Transportation

**STATE OF VERMONT**  
**Statistical Section - Table 14**  
**Operating Information**  
**Capital Asset Statistics by Function**  
**Last Eight Years**

	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function</b>								
<b>General Government</b>								
Department of Buildings & General Services								
Land holdings (acres)	2,809.13	2,809.13	2,874.86	2,923.90	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
<b>Protection to Persons and Property</b>								
Number of state police vehicles	515	490	405	420	412	413	383	376
Number of armory locations	22	22	22	20	20	20	20	20
Number of agriculture research stations	31	30	31	28	27	25	23	20
<b>Human Services</b>								
Department of Health - Number of lab instruments (analyzer, module, counters, meters, etc.)	178	182	122	103	105	85	71	n/a
Department of Children and Families - number of vans	29	25	26	30	25	23	23	23
Department of Corrections - number of vehicles	0	0	2	3	11	11	11*	85
<b>Employment and Training</b>								
Department of Labor - number of capitalized computer assets	14	17	19	19	10	29	27	27
<b>General Education</b>								
Department of Education - number of capitalized computer assets	27	27	20	21	16	16	12	10
<b>Natural Resources</b>								
Number of dams	90	90	81	99	96	94	93	88
Agency of Natural Resources								
Number of vehicles	216	218	224	214	221	204	309	345
Number of building and improvement assets	452	442	429	441	430	423	410	405
<b>Commerce and Community Development</b>								
Number of historic sites	21	21	21	18	17	16	17	17
Number of covered bridges	7	7	7	6	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+	100+	100+	100+	100+
<b>Transportation</b>								
Number of bridges over 20 feet	1,078	1,078	1,077	1,077	1,077	1,077	1,077	1,072
State highway miles	2,703	2,704	2,704	2,707	2,708	2,708	2,708	2,704
Agency of Transportation buildings (square feet)	1,349,017	1,328,717	1,326,407	1,307,415	1,289,171	1,250,673	1,233,099	1,226,781

\* During FY 05 most vehicles were transferred to the new Fleet Program.

Note: Information for these statistics is not available for years prior to 2004, when the state began compiling this data.

**STATE OF VERMONT  
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**LEGEND OF ACRONYMS**

<b><u>Acronym</u></b>	<b><u>Description</u></b>
AAL	Actuarial Accrued Liability
AD&D	Accidental Death and Dismemberment
AFC	Average Final Compensation
AHS	Agency of Human Services
ANFC	Aid to Needy Families With Children
AOC	Annual OPEB Cost
APC	Annual Pension Cost
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act
BFS	Basic Financial Statements
CAFR	Comprehensive Annual Financial Report
CDAAC	Capital Debt Affordability Advisory Committee
CMO's	Collateralized Mortgage Obligations
CMS	Center for Medicaid and Medicare Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
DVHA	Department of Vermont Health Access
EAN	Entry Age Normal
EAP	Employee Assistance Program
FAP	Financial Access Program
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FICA	Federal Insurance Contributions Act
FIL	Frozen Initial Liability
FSA	Flexible Spending Account
FTA	Federal Transit Administration
FX	Foreign Exchange
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information Systems
HMO	Health Maintenance Organization
HR	Human Resources
IBNR	Incurred But Not Reported
MD&A	Management's Discussion and Analysis
MERS	Vermont Municipal Employees Retirement System
MIP	Mortgage Insurance Program
MMA	Medicare, Prescription Drug, Improvement, and Modernization Act of 2003
NOO	Net OPEB Obligation
NPO	Net Pension Obligation
OPEB	Other Post Employment Benefits

**STATE OF VERMONT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**LEGEND OF ACRONYMS**

<b><u>Acronym</u></b>	<b><u>Description</u></b>
OTC	Over The Counter
PAC	Planned Amortization Classes
PRO	Pollution Remediation Obligation
RHS	Retirement Health Savings
RSI	Required Supplementary Information
S&P	Standard & Poor's
SDIA	Single Deposit Investment Account
SIB	State Infrastructure Bank
STC	Standard Terms and Conditions
STRS	State Teachers Retirement System
UAAL	Unfunded Actuarial Accrued Liability
USD	United States Dollar
USEPA	United States Environmental Protection Agency
UTF	Unemployment Trust Fund
UVM	University of Vermont and State Agricultural College
V.S.A.	Vermont Statutes Annotated
VCGI	Vermont Center for Geographic Information
VEDA	Vermont Economic Development Authority
VEHBFA	Vermont Educational and Health Buildings Financing Agency
VEHI	Vermont Education Health Initiative
VHCB	Vermont Housing and Conservation Board
VHFA	Vermont Housing Finance Agency
VITL	Vermont Information Technology Leaders, Inc.
VMBB	Vermont Municipal Bond Bank
VPIC	Vermont Pension Investment Committee
VSAC	Vermont Student Assistance Corporation
VSC	Vermont State College System
VSECU	Vermont State Employees' Credit Union
VSJF	Vermont Sustainable Jobs Fund, Inc.
VSRS	Vermont State Retirement System
VTA	Vermont Transportation Authority